

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2002

Fremont's new Quarry Lakes Park





Located on the southeast side of the San Francisco Bay, Fremont is a city of over 208,000 people with an area of 92 square miles, making it the fourth most populous city in the Bay Area and California's fifth largest city in area. With its moderate climate and its proximity to major universities, shopping areas, recreational and cultural activities, employment centers, major airports, and the Bay Area Rapid Transit system, Fremont captures metropolitan living at its best.

The Fremont area was first settled with the establishment of Mission San Jose by the Spanish. In the mid-1840's, John C. Fremont mapped a trail through Mission Pass to provide access for American settlers into the southeastern San Francisco Bay Area. In 1853, Washington Township was established, taking in the communities of Mission San Jose, Centerville, Niles, Irvington, and Warm Springs. On January 23, 1956, these communities joined together to form the City of Fremont.

City of Fremont

Fremont, California

Comprehensive Annual Financial Report

For the year ended June 30, 2002

Prepared by:
Finance Department

City of Fremont

Table of Contents

	<u>Page</u>
<u>Introductory Section</u>	
Letter of Transmittal.....	iii
Location Map.....	xi
City Council and Staff.....	xii
Organizational Chart.....	xiii
Certificate of Achievement for Excellence in Financial Reporting - Government Finance Officers Association	xiv
<u>Financial Section</u>	
Independent Auditors' Report.....	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	25
Statement of Activities and Changes in Net Assets	26
Governmental Funds Financial Statements:	
Balance Sheet	30
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.....	33
Statement of Revenues, Expenditures and Changes in Fund Balances.....	34
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets	36
Proprietary Fund Financial Statements:	
Statement of Net Assets	38
Statement of Revenues, Expenses and Changes in Net Assets.....	39
Statement of Cash Flows	40
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets.....	42
Index to Notes to Basic Financial Statements	45
Notes to Basic Financial Statements.....	47

City of Fremont

Table of Contents, Continued

	<u>Page</u>
<u>Financial Section, Continued</u>	
Basic Financial Statements, Continued:	
Required Supplementary Information:	
Budgetary Information	80
Modified Approach for the City's Infrastructure	85
Defined Benefit Pension Plan.....	87
Supplementary Information:	
Non-Major Governmental Funds:	
Combining Balance Sheet	92
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	102
Proprietary Funds:	
Combining Statement of Net Assets	112
Combining Statement of Revenues, Expenses and Changes in Net Assets.....	113
Combining Statement of Cash Flows	114
Agency Funds:	
Statement of Changes in Assets and Liabilities.....	115
<u>Statistical Section</u>	
General Governmental Revenues by Source	118
General Governmental Expenditures by Function.....	120
Property Tax Assessed Values, Levies, and Collections.....	122
Property Tax Rates - Direct and Overlapping Governments	124
Special Assessment Collections	125
Computation of Legal Debt Margin.....	126
Schedule of Direct and Overlapping Debt.....	127
Percentage of Annual Debt Service for General Debt to Total General Expenditures.....	128
Ratio of Net General Debt to Assessed Value and Net Debt per Capita.....	130
Composition of Long-Term Debt	132
Demographic Statistics	133
Construction and Bank Deposits.....	134
Major Taxpayers	135
Miscellaneous Statistical Data.....	136

March 31, 2003

To the Honorable Mayor, Members of the City Council and Citizens of the City of Fremont, California

Various financing covenants and regulations associated with restricted funding sources require the City of Fremont, California (City) to publish a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants. The publication of these statements is to be completed from six to nine months following the end of the fiscal year. Where the transmittal of these statements has exceeded the time established in the covenants and regulations, City staff has notified the affected parties and has obtained waivers as needed. These statements, for the fiscal year ended June 30, 2002, have been delayed beyond the normal time of issuance by the impact on the City's Finance Department staff of the conversion to Governmental Accounting Standards Board (GASB) Statement No. 34 and the unusually difficult financial management problems precipitated by a steep drop in the local economy, a budget crisis for the State of California (State) and the announcement of major rate increases related to investment portfolio losses in the California Public Employees' Retirement System (CalPERS). Pursuant to the requirements noted above, we hereby issue the Comprehensive Annual Financial Report of the City of Fremont, California for the fiscal year ended June 30, 2002.

This report consists of management's representations concerning the finances of the City of Fremont. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Fremont has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City of Fremont's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Fremont's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Caporicci & Larson, a firm of licensed certified public accountants, have audited the City of Fremont's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Fremont for the fiscal year ended June 30, 2002, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial management presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Fremont's financial statements for the fiscal year ended June 30, 2002, are fairly

presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Fremont was part of a broader, federally mandated "Single Audit" designed to meet the needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Fremont's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Fremont's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Fremont, incorporated in 1956, is located at the southeast end of the San Francisco Bay and is the 14th largest city in population among California's 477 cities. During the last five years, the City was one of the fastest growing areas in the state in terms of industrial and research and development space for high technology and biotechnology companies. It is also the home of New United Motors Manufacturing, Incorporated, a joint venture of General Motors and Toyota, which produces 400,000 vehicles a year, including the Toyota Corolla, the Tacoma pickup truck and the Pontiac Vibe. The City of Fremont contains 92 square miles and serves a population of 208,600. The City is a general law city and does not operate under the provisions of a voter-approved charter.

Like other general law cities, and charter cities with only minor differences, in California, the City of Fremont has limited ability to set tax rates. The State Constitution establishes a maximum rate for property tax and limits the growth of assessed value. The property tax collected is allocated among the jurisdictions in the City's tax rate areas based on criteria established by the state legislature. The rates and tax base of the City's two other major general taxes, sales tax and vehicle in lieu fees (VLF), are also controlled by the legislature. Part of the City's vehicle in lieu tax consists of a payment from the State of California's General Fund to reimburse local governments for the difference between the revenue produced by the tax before the state legislature approved a major tax decrease and the amount collected after the decrease (VLF backfill). Over the last ten years, the legislature has made material changes in the allocation of property tax, has reduced the VLF tax, and has debated major changes to VLF backfill and sales tax allocations to local governments.

Changes to existing local taxes and any new taxes require voter approval. Taxes used for general purposes are subject to approval by a simple majority of voters while taxes levied for specific purposes require a two-thirds majority of voters. Assessments must be approved by a two-thirds vote with voting rights apportioned based on the amount of the assessment. In addition, fees for facilities and services are subject to requirements that they not be set at levels that exceed the reasonable costs of providing services. As a result, fund balances generated by differences between fee revenue and related expense are retained and designated for services and facilities that benefit fee payers.

The City of Fremont has operated under the council-manager form of government since its incorporation in 1956. Policy-making and legislative authority are vested in a five member governing council consisting of the Mayor and four Council Members. The City Council is responsible, among other things, for passing ordinances, adopting the budget, approving the Mayor's nominees to commissions, and hiring both the City's manager and its attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the city and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Council Members serve four-year staggered terms, with two Council Members elected every two years. The Mayor is elected to serve a four-year term. The Mayor and Council Members are elected at large and all are subject to two term limits.

The City of Fremont provides a broad range of services including police and fire protection, construction and maintenance of streets, parks, storm drainage and other infrastructure, recreational and cultural activities and human services programs. It also manages franchises for solid waste, cable television, energy and telecommunications. Certain infrastructure construction and community development activities are provided through a legally separate redevelopment agency. The Council sits as the agency's board and it functions, in essence, as a department of the City. Therefore, the Fremont Redevelopment Agency (FRDA) has been included as an integral part of the City of Fremont's financial statements. Many major public services delivered within the City's boundaries, including water, wastewater, education, regional parks and public transportation are provided by other agencies. The City of Fremont is not financially accountable for the operations of the franchisees or these government agencies.

The annual budget, the five-year integrated capital asset plan which integrates capital construction, maintenance and debt issuance planning, the long range (30 year) development impact fee financial plan, financial policies governing reserves and fee supported services and the budget resolutions serve as the foundation for the City of Fremont's financial planning and control. Departments submit operating appropriation requests in accordance with the City Manager's instructions by the middle of March each year. The City Manager makes recommendations to the City Council regarding the following year's budget in May and, after public discussion and evaluation of the City Manager's recommendations, the Council adopts the annual budget in June of each year.

Capital budget appropriations requests are submitted for inclusion in the integrated capital asset plan (ICAP) by the end of September every two years. The City Manager's recommendations regarding the integrated capital asset plan are presented during April following the even-year City Council election after conducting a series of City Council workshops and public hearings between December and March. The operating budget, integrated capital asset plan and the FRDA budget are coordinated and integrated in connection with each year's operating budget.

The Council delegates budget authority through its budget ordinance at the fund level. The City Manager is authorized to transfer appropriations between funds and to limit expenditures in response to under collection of estimated revenues. Transfers of appropriations between funds require City Council approval. Budget to actual comparisons are provided as part of the required supplemental information (RSI) in this report for the general fund and each major governmental fund for which the City Council has adopted an annual budget.

The Council reviews budget results and an updated, rolling five year forecast three times a year, at the first quarter review, the mid-year review and at budget adoption. The ICAP is reviewed biennially, and the Council receives quarterly reports of project status and annual reports of project closeout results. The impact fee financed asset system program is reviewed annually and is comprehensively updated every five years. Redevelopment budgets are adopted annually and five-year plans for the FRDA are updated every two years or as circumstances warrant. The ongoing review and long range planning focus for financial management provides numerous opportunities to identify and respond to changes in revenues and expenditures and in community priorities.

Factors Affecting Financial Condition

We think that the information presented in the financial statements is best understood when it is considered from the broader perspective of the context within which the City of Fremont operates.

Local economy. During the last five years, the City of Fremont enjoyed very strong economic growth and an excellent position in the Bay Area in terms of its location in Silicon Valley, transportation access and availability of developable land. Fremont's assessed valuation was nearly equal to the largest city in Alameda County, Oakland, which has nearly twice as many people. Its business oriented sales tax base helped it weather previous recessions by offsetting losses in property tax receipts tied to severe business cycles in the real estate industry. Housing values were growing rapidly, consistent with the trend in Silicon Valley. Fremont had become a thriving part of Silicon Valley and, as 2000/01 ended, Cisco Systems announced plans to build a major campus in the City.

However, in 2001/02, the after effects of the severe recession in the high technology sector began to take a toll. Sales tax dropped. This was obscured by the recognition of deferred sales

tax revenue that management had not recognized in the financial statements because of a long standing dispute with the State Board of Equalization regarding rules for allocating local taxes from a major taxpayer. Hotel-motel (transient occupancy) taxes dropped rapidly and actual sales tax results for the first and second quarters of calendar 2002 dropped by 19% to 22% from the year before. Some sales tax sectors that are heavily concentrated in high technology have shown sales tax decreases of over 50% and construction-related tax producers are showing a similar decline. Just before the time of this transmittal letter, management has learned that sales tax for the third quarter of 2002 was down 15% from the prior year.

Fortunately, low interest rates and high demand have maintained residential property values but we are concerned that high vacancy levels among industrial properties will lead to reassessment in response to appraisal appeals by property owners. Investment income has dropped and hotel taxes have not improved. The reserves developed during high growth years have been invaluable in giving the City Council the resources it needs to adjust spending and financial commitments to a new, lower level. Stable residential values and the diversity of the City's economy outside the technology sector have helped mitigate the impacts of the problems in the technology sector but a sustained statewide or national recession could be problematic.

CalPERS. The California Public Employees' Retirement System has suffered portfolio losses of 5.97% and 7.23% in the last two years and may have an unprecedented third year of losses this year. Because the City's retirement system contribution rates are based on portfolio performance two years before the beginning of each fiscal year, the impact of portfolio losses is expected to affect costs beginning in 2003/04. More increases will come in 2004/05. The City's actuary projects that the higher rates will affect the City for several years unless CalPERS earns extraordinary portfolio returns in the next two years. The actuary also projects that the costs for the retirement system could increase by \$10 million over the next five years.

State budget. The Governor and the Legislative Analyst estimate the State faces a deficit of \$26-35 billion over the next 15 months. The State's budget problem is so large that it could threaten the City of Fremont's revenues, much as a similar crisis did in the early nineties. Management is actively monitoring State budget deliberations and has prepared contingency plans to respond to revenue losses caused by the State.

City Council response to budget shortfalls. Between the end of the 2001/02 fiscal year and the date of this transmittal, the Council has agreed with the City Manager's recommendation to reduce the City's expenditures by \$22 million and its workforce by over 220 positions. Reductions will include 100 vacancies, elimination of 60 part time positions and layoffs of up to 60 full time employees. Layoff notices were sent during the first week in March. The Council has approved a proposed budget approach that will allow the City to adopt a budget with revenues in balance with expenditures by the beginning of fiscal 2004/05. The plan implements expenditure reductions over two years and preserves the City's general fund balances designated for contingencies at 15% of annual expenditures and transfers out. The City Council is

committed to managing the transition to new spending levels sensibly. This year, surveys will be conducted to gauge voter support for new revenues, and a variety of fee proposals will be considered to strengthen the City of Fremont's revenue base.

Long term financial planning. The City Council has continued to focus attention on the long term benefits of transportation infrastructure improvement, on recruitment of consumer retail uses to balance the City's business to business sales tax base and on development of a pedestrian oriented urban center in the City's central business district. Resources will continue to be committed to two freeway interchanges to complete major upgrades to I-880 through Fremont and to build two grade separations that will increase safety, reduce congestion and facilitate extension of the Bay Area Rapid Transit District commuter rail system south to the city's Warm Springs district and from there, eventually, to San Jose. The transportation system improvements will be funded by the FRDA as part of an overall plan that includes state, regional, federal and other local funds.

Economic Development staff work closely with landowners, developers, and retailers to increase retail uses at Catellus Development Corporation's Pacific Commons project, the former Home Depot site, and the Central Business District. Developments could be completed between two and ten years from now, with the fastest potential at freeway oriented sites. Despite the downturn in the technology sector, consumer spending has been stable and the City's retail consultant estimates that there are many opportunities for capturing retail dollars that are now spent elsewhere.

During high growth years, the City accumulated significant balances in its development impact fee funds that are intended to build infrastructure and improve amenities in the community. The park impact fee funds, especially, have accumulated adequate funding for a significant park improvement program. The Council will develop plans to balance the maintenance and operating cost impact of acquiring or developing parkland with their long term plans to improve the City's park system consistent with the standards in the park master plan.

Cash management and policies. Cash temporarily idle during the year was invested in obligations of the U.S. Treasury and agencies of the federal government, commercial paper, corporate bonds, banker's acceptances, qualifying mutual funds and the State Treasurer's investment pool. Maturities of the investments range from one day to five years, with an average maturity of 516 days. The average yield on investments not held by fiscal agents was 4.13%. Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the City plans to hold to maturity.

Risk management. The City of Fremont uses a program of self-insurance to reduce its workers' compensation and liability claim costs. The City employs a professional risk manager, a safety

officer and staff, supplemented by professional claim administration firms to minimize losses. The City participates in two multi-agency joint powers authorities to provide excess insurance coverage, one for liability coverage and one for workers' compensation coverage. The joint powers authorities and the City rely on estimates prepared by professional actuaries to set aside funds adequate to meet potential losses. Excess coverage provided by the joint powers authorities cover claims in excess of \$500,000 for general liability claims and claims in excess of \$250,000 for workers' compensation claims. Additional information on the City of Fremont's risk management activity can be found in Note 6 of the notes to the financial statements.

Pension and other post-employment benefits. The City provides pension and medical benefits for its public safety and non-safety employees through two contracts with CalPERS. The contracts include benefit levels which the City has negotiated with its employee units and for which it has executed contract amendments. The plans also include benefit levels approved by the state legislature without contract amendment and funding mechanisms approved by the CalPERS Board of Administration. The City's contracts are not part of a larger pool and the City is responsible for making contributions needed to fund benefits when employee contributions are not adequate. In the past, City contributions have ranged from 0% to 28.252%. Portfolio losses, combined with improved benefits are, as noted above, expected to result in increased rates in 2003/04 and subsequent years.

The City of Fremont also provides postretirement benefits in the form of limited contributions toward health insurance costs for certain retirees based on the provisions of labor agreements in effect at the date of the employees' retirement. These benefits are fixed at the date of retirement and do not increase thereafter. At the end of the 2001/02 fiscal year, there were 412 retired employees eligible to receive these benefits, which are financed on a pay-as-you-go basis. GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits

Additional information on the City of Fremont's pension arrangements and post-employment benefits can be found in Note 8 in the notes to the financial statements.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fremont for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2001. This was the 18th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and legal requirements.

Honorable Mayor, Members of the City Council and
Citizens of the City of Fremont, California

March 31, 2003

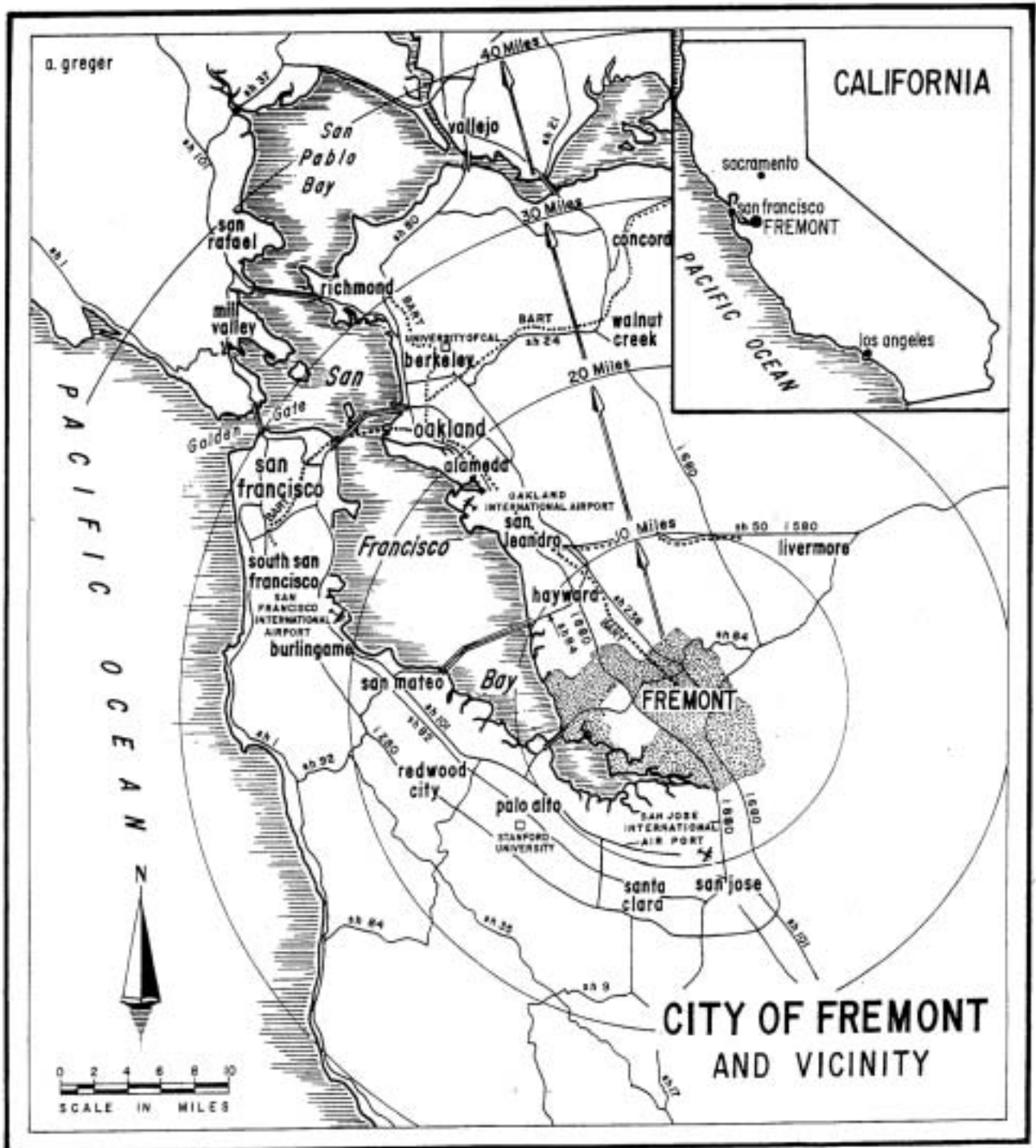
A Certificate of Achievement is valid for one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated June 5, 2001. This was the fifth consecutive year that the City received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all the members of the departments who assisted and contributed to the preparation of this report. We also want to thank the partners and staff of our auditors for their assistance and support during this difficult transition year. Credit must also be given to the Mayor and the City Council Members for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Fremont's finances.

Respectfully submitted,

David N. Millican
Deputy City Manager and
Chief Financial Officer



City of Fremont

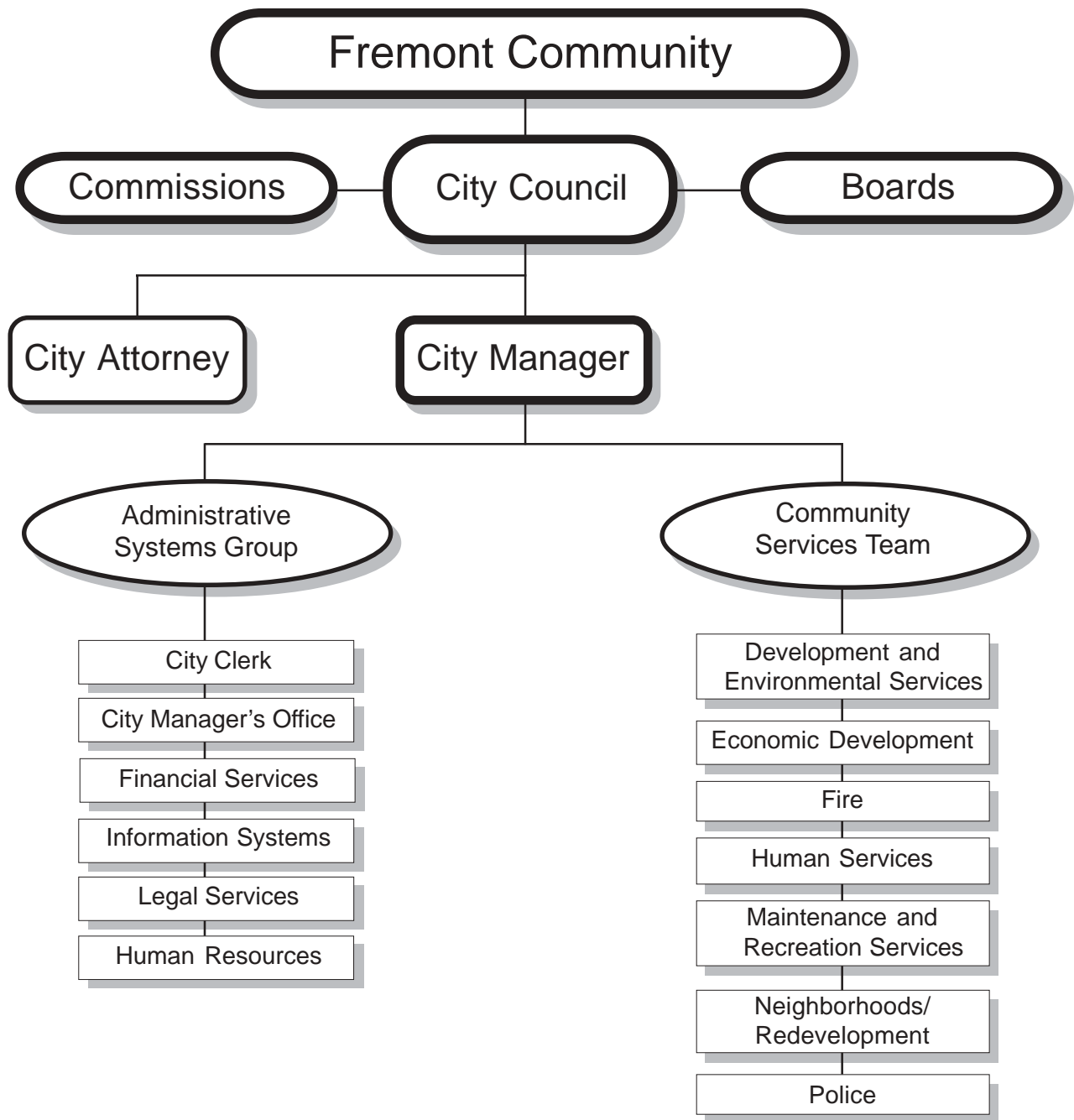
June 30, 2002

City Council

Mayor	Gus Morrison
Vice Mayor	Judy Zlatnik
Councilmember	Bob Wasserman
Councilmember	Bill Pease
Councilmember	Steve Cho

City Staff

City Manager	Jan C. Perkins
Deputy City Manager/CFO	David N. Millican
Assistant City Manager	Lynn Dantzker
Assistant City Manager/City Clerk	Lynn Macy
City Attorney	Harvey E. Levine
Police Chief	Craig Steckler
Fire Chief	Willie McDonald
Economic Development Manager	Daren Fields
Human Resources Manager	Nancy Carlson
Human Services Director	Suzanne Shenfil
Maintenance & Recreation Director	Jack Rogers
Information Systems Manager	Dave Jensen



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fremont,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Imelda Cruz
President

Jeffrey L. Esser
Executive Director



Caporicci & Larson
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
of the City of Fremont
Fremont, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Fremont, California (City), as of and for the year ended June 30, 2002, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

As described in Note 1 to the basic financial statements, the City adopted statements of the Governmental Accounting Standards Board No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*; No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*; and No. 38, *Certain Financial Statement Note Disclosures*.

Toll Free Ph: (877) 862-2200

Toll Free Fax: (866) 436-0927

Oakland

180 Grand Ave., Suite 1365
Oakland, California 94612

Orange County

3184-D Airway Avenue
Costa Mesa, California 92626

Sacramento

777 Campus Commons Rd., Suite 200
Sacramento, California 95825

San Diego

600 "B" Street, Suite 1900
San Diego, California 92101

To the Honorable Mayor and Members of City Council
of the City of Fremont
Fremont, California

The accompanying Required Supplementary Information, such as management's discussion and analysis, budgetary information, modified approach for the City's infrastructure, and defined benefit pension plan information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section and Statistical Tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Capricci & Carson

Oakland, California
September 20, 2002

CITY OF FREMONT, CALIFORNIA
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002

This portion of the City of Fremont's annual financial report presents management's discussion and analysis of the City's financial activities and performance for the fiscal year ended June 30, 2002. The information presented here should be considered in conjunction with additional information we have presented in our transmittal letter in the Introductory Section at the front of this report, and the City's financial statements, which follow.

This year, the City implemented Governmental Accounting Standards Board (GASB) Statements No. 34, 37 and 38, along with related Interpretations. Implementation of these new financial accounting and reporting standards resulted in significant changes in financial statement content and structure, as compared to prior years. As a result, much of the information is not easily compared to prior years, and so comparative information is not provided. However, in future years, comparisons will be more meaningful and will be included in both the financial statements themselves, and in this discussion and analysis.

FINANCIAL HIGHLIGHTS

- The assets of the City of Fremont exceeded its liabilities at the close of the 2001/02 fiscal year by \$734,338,000 (net assets). Of this amount, \$46,734,000 is unrestricted and may be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.
- The City's total net assets increased by \$1,122,000. However, sales tax and other revenues softened considerably during 2001/02 as the recession began to settle into Fremont and the Silicon Valley.
- As of June 30, 2002, the City of Fremont's governmental funds reported combined ending fund balances of \$262,561,000. Approximately 30% of this total amount (\$78,058,000) is reserved to indicate that it is not available for new spending because it has already been committed either to liquidate contracts and purchase orders of the prior period (\$39,545,000) or to pay debt service (\$38,513,000). The remaining 70% (\$184,503,000) constitutes unreserved fund balance that is available for spending, and it has been designated for a variety of specific future uses.
- At the end of the 2001/02 fiscal year, unreserved fund balance for the General Fund was \$35,981,000. Of this amount, \$14,761,000 was designated by Council policy for use for future contingencies, and \$2,952,000 was designated by Council policy for start-up costs for future programs with potential to generate revenues

City of Fremont, California
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002

sufficient to cover costs and repay the start-up investment. Both of these policies were adopted by the City Council in June 1996. In addition, \$6,200,000 was earmarked to provide funds to deal with significant levels of financial uncertainty related to the Silicon Valley economic downturn and the unknown effects of the State budget, \$10,409,000 was appropriated in the 2002/03 operating budget, and \$1,658,000 was designated for fair value adjustments on the City's investment portfolio for net gains recognized by the City, but not yet realized at June 30, 2002.

- The City of Fremont's total capital debt increased by \$10,055,000, less debt repaid during the year, due to the issuance of 2001B variable rate demand certificates of participation (COPs) issued to finance the renovation and refurbishment of the administration complex at 3300 Capitol Avenue, and for acquisition of major fire vehicles and apparatus.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Fremont's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements are designed to provide readers with a broad overview of the City of Fremont's finances, in a manner similar to a private-sector business. They provide information about the activities of the City as a whole and present a longer-term view of the City's finances.

The Statement of Net Assets presents information on all of the City of Fremont's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Fremont is improving or deteriorating.

The Statement of Activities and Changes in Net Assets presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in

City of Fremont, California
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002

future fiscal periods (e.g., uncollected taxes, and earned but unused vacation and other compensated leave).

All of the City's activities are considered to be governmental in nature and, as a result, no business-type activities are reported in these statements. Governmental activities are those that are principally supported by taxes and intergovernmental revenues. For the City of Fremont, governmental activities consist of police services, fire services, human services, capital assets maintenance and operations, recreation and leisure services, community development and environmental services, and general government administration.

The City is the primary government in this report. There are no discretely presented component units. However, these financial statements include three other entities that, although legally separate, are important because the City is financially accountable for them. These component units include the Redevelopment Agency of the City of Fremont, the Fremont Public Financing Authority, and the Fremont Social Services Joint Powers Authority (JPA). These component units have been included as an integral part of the City of Fremont (that is, their accounts are "blended" with those of the City) and they are not reported as separate discrete component units in these financial statements.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Fremont, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. For governmental activities, these statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. All of the funds of the City of Fremont can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end

City of Fremont, California
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002

of the fiscal year. This information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to assist the reader with this comparison between governmental funds and governmental activities.

The City of Fremont maintains fifty-nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the following funds that are considered to be major funds:

- General Fund
- Redevelopment Agency
- Development Impact Fees
- State Gas Tax
- Integrated Waste Management
- Development Cost Center
- Recreation and Leisure Services
- Capital Maintenance

Data from the other fifty-one governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Fremont adopts an annual appropriated budget for its General Fund, the Redevelopment Agency, Integrated Waste Management, the Development Cost Center, and Recreation and Leisure Services. Budgetary comparison statements have been provided as required supplementary information to demonstrate compliance with the budget.

Proprietary funds. The only proprietary funds the City of Fremont uses are internal service funds, which are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its risk management activities and for its information technology services.

City of Fremont, California
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002

Because both of these services exist to benefit governmental functions, they have been included within governmental activities in the government-wide financial statements.

Both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Fremont's own programs. The only fiduciary funds the City of Fremont has are agency funds. The accounting used for these funds is much like that used for governmental funds. These funds are reported in a separate statement of fiduciary net assets.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This information provides budgetary comparison schedules, as well as more detailed information about the City's use of the modified approach for certain of its infrastructure assets, and about its participation in the California Public Employees' Retirement System (CalPERS) defined benefit pension plan.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, this is the first year the City of Fremont has prepared its financial statements in accordance with GASB Statement No. 34, and comparative information is not available. However, in future years, comparisons will be more meaningful and

City of Fremont, California
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002

will be included in both the financial statements themselves, and in this discussion and analysis.

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Fremont, assets exceeded liabilities by \$734,338,000 at the close of the 2001/02 fiscal year. Information about net assets is presented in the summary table, below:

SUMMARY OF NET ASSETS
JUNE 30, 2002
(dollars in thousands)

Current and other assets	\$ 319,665
Capital assets	<u>641,887</u>
Total assets	<u>961,552</u>
Current liabilities	59,144
Noncurrent liabilities	<u>168,070</u>
Total liabilities	<u>227,214</u>
Net assets:	
Invested in capital assets, net of related debt	479,332
Restricted	208,273
Unrestricted	<u>46,733</u>
Total net assets	\$ 734,338

By far, the largest portion of the City of Fremont's net assets (65%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Fremont uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City of Fremont's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Fremont's net assets (29%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (6%) may be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

City of Fremont, California
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002

The City of Fremont's net assets increased by \$1,122,000 (0.15%) during the current fiscal year. Information about changes in net assets is presented in the summary table, below:

SUMMARY OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2002
(dollars in thousands)

Revenues:-

Program revenues:

Charges for services	\$ 19,857
Operating grants and contributions	14,284
Capital grants and contributions	6,741

General revenues:

Property taxes	58,063
Sales taxes	29,196
Other taxes and fees	30,769
Intergovernmental	1,056
Investment earnings	13,083
Miscellaneous and other	<u>3,043</u>

Total revenues	<u>176,092</u>
-----------------------	-----------------------

Program expenses:

General government	12,661
Police services	40,344
Fire services	24,359
Human services	4,844
Capital assets maintenance and operations	47,004
Recreation and leisure services	6,105
Community development and environmental services	26,258
Intergovernmental	7,406
Interest on debt	<u>5,989</u>

Total program expenses	<u>174,970</u>
-------------------------------	-----------------------

Increase in net assets	1,122
-------------------------------	--------------

Net assets, July 1, 2001, as restated	<u>733,216</u>
---------------------------------------	----------------

Net assets, June 30, 2002	\$ 734,338
----------------------------------	-------------------

City of Fremont, California
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002

Although net assets increased this fiscal year, sales tax and other revenues softened considerably during 2001/02 as the recession began to settle into Fremont and the Silicon Valley. Economic factors and next year's budget are discussed in more detail later in this discussion and analysis.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Fremont uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Fremont's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the 2001/02 fiscal year, the City of Fremont's governmental funds reported combined ending fund balances of \$262,561,000, a decrease of \$5,606,000 from the prior year. Approximately 30% of this total amount (\$78,058,000) is reserved to indicate that it is not available for new spending because it has already been committed either to liquidate contracts and purchase orders of the prior period (\$39,545,000) or to pay debt service (\$38,513,000). The remaining 70% (184,503,000) constitutes unreserved fund balance that is available for spending, and it has been designated for a variety of specific future uses.

The following are the major funds that either qualified under the reporting criteria or were considered to be important to financial statement users:

General Fund - The General Fund is the chief operating fund of the City of Fremont. At the end of the 2001/02 fiscal year, total fund balance was \$36,546,000, of which \$35,981,000 was unreserved. Of this unreserved amount, \$14,761,000 (12.5% of budgeted expenditures and transfers out) was designated by Council policy for use for future contingencies, and \$2,952,000 (2.5% of budgeted expenditures and transfers out) was designated by Council policy for start-up costs for future programs with potential to generate revenues sufficient to cover costs and repay the start-up investment. Both of these policies were adopted by the City Council in June 1996. In addition, \$6,200,000 was earmarked to provide funds to deal with significant levels of financial uncertainty related to the Silicon Valley economic downturn and the unknown effects of the State budget, \$10,409,000 was appropriated in the 2002/03 operating budget, and \$1,658,000 was designated for fair value adjustments on the City's investment portfolio for net gains recognized by the City, but not yet realized at June 30, 2002.

City of Fremont, California
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002

The fund balance of the City of Fremont's General Fund decreased by \$9,957,000 during the 2001/02 fiscal year. Key factors in this decrease are as follows:

- Revenues (primarily sales tax) and transfers in fell short of projections by 7.1%, despite \$1.4 million in one-time and \$600,000 in ongoing sales tax adjustments.
- Expenditure savings and reduced transfers out helped mitigate some of the revenue shortfall, but were only reduced by 4.3%, which is less than the revenue shortfall.
- The 2001/02 adopted budget included a planned use of beginning fund balance to mitigate what at the time was thought to be a short-term softening of the economy, as well as to provide funding for the downtown plan and other capital projects.
- The 2002/03 adopted budget anticipated \$15,892,000 in fund balance at June 30, 2002, that would be available for appropriation in 2002/03. The actual amount turned out to be \$10,409,000, which is \$5,483,000 less than anticipated at the time the 2002/03 budget was adopted.

Redevelopment Agency – The Redevelopment Agency is responsible for removing barriers to economic development caused by inadequate transportation infrastructure, and for encouraging development in underperforming historic commercial districts in the City. The Agency's operations and capital projects are funded primarily by annual property tax increment revenue of approximately \$25 million and the proceeds of \$50 million in debt issued in 2000, to be repaid out of the property tax increment revenue generated by increases in property assessed values in the redevelopment project areas. The Agency started paying principal on the debt in fiscal year 2001/02. Out of the \$103 million fund balance, \$32 million is reserved for debt service payments, \$2 million is reserved for payments related to outstanding contracts and purchase orders, \$14 million is designated for low and moderate income housing, and \$55 million is designated for capital projects.

Development Impact Fees – This fund represents the aggregate total of park dedication fees, park facility fees, fire impact fees, traffic impact fees and capital facility fees. The fees are levied on all new development in the City to pay for the construction and improvement of public facilities as a result of growth. Fees collected in 2001/02 were only 40% of the amount collected in 2000/01. This decrease in annual collections is due to a lower level of development activity as a result of the weak Silicon Valley economy. During 2001/02, 65% of this fund's expenditures (\$3,326,000) were spent on mitigating traffic-related impacts.

City of Fremont, California
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002

Because these funds are collected for construction or improvements of public facilities, the unreserved fund balance of \$56 million is fully designated for capital projects. A significant portion of this amount is related to park development. However, it has not yet been spent because of the maintenance impacts of adding new parks. These projects have been delayed until the economy improves and sufficient operating revenues exist to ensure that park facilities can be adequately and appropriately maintained.

State Gas Tax - This fund is used to account for all of the gas tax receipts from the State. Normally the City transfers these funds to the capital projects fund for the maintenance of City streets. During 2001/02, gas tax expenditures fell into four broad categories:

Pavement overlays	\$ 2,585,000
Cape sealing	1,846,000
Street and median maintenance	707,000
Traffic signal maintenance	491,000

The total fund balance of this fund at June 30, 2002, is \$8.5 million, of which \$7.4 million is designated for future street maintenance.

Integrated Waste Management - This fund was established to account for monies received by the City to comply with the provisions of Assembly Bill (AB) 939, addressing recycling, household hazardous waste, and solid waste management issues. These revenues may only be spent for integrated waste management and waste reduction purposes. The City is currently in the process of completing environmental assessments for a new materials recycling facility and a transfer station, and negotiating a new disposal agreement. Funds have been accumulated to offset a portion of these costs, and to reduce the need for rate increases related to higher costs of operations of the new facilities. The unreserved fund balance of \$10 million is designated for integrated waste management and waste reduction purposes and transition costs associated with the closure of the existing landfill.

Development Cost Center - This fund was established to account for the transactions and activities related to development and environmental services of the City, including engineering, planning, and building and construction inspection activities. Its customers are not only the development community, but also the City itself for its own capital projects. Fees collected in this cost center are used for the benefit of the fee payers.

City of Fremont, California
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002

Development activity is slowing as the recession takes hold in Silicon Valley. In 1999/00 and 2000/01, the total dollar valuation for building permits averaged \$357,400,000. In 2001/02, the total dollar valuation dropped to \$239,133,000. At the end of the 2001/02 fiscal year, unreserved fund balance totaled \$3.7 million. This fund balance will be used to ensure continuity of critical development services during the remainder of the economic downturn.

Recreation and Leisure Services – This fund was established to account for the transactions and activities related to the delivery of recreation services. Fees collected for recreation and leisure services are used for the development of programs and facilities benefiting fee payers. At the end of the 2001/02 fiscal year, unreserved fund balance was \$5.5 million. This fund balance will be used to develop or maintain recreation facilities and preserve the continuity of recreation services during the remainder of the economic downturn.

Capital Maintenance – This fund is used to maintain and operate the capital assets of the City. Primary functions include maintenance of City vehicles, parks, public buildings, streets, medians and trees, and hazardous material handling for City facilities. Its resources consist of transfers from the General Fund and other funds. At June 30, 2002, this fund had a total fund balance of \$538,000, of which \$651,000 was encumbered. Even though this fund has committed more resources than it currently has available for purchase orders outstanding at year-end, there will be sufficient funds available in the next fiscal year to pay the vendors when those services are actually performed.

Other Governmental Funds – These are nonmajor funds of the City and are presented in the basic financial statements in the aggregate. A significant portion of these funds are for capital projects. At June 30, 2002, these funds had an aggregate negative unreserved and undesignated fund balance of \$28,340,000. This is because the City encumbers the entire amount of a construction project scheduled to proceed over the course of several fiscal years. Therefore, the resulting deficit reflects the City's intent to fund a portion of this long-term construction in future years. More information about these aggregated nonmajor funds can be found in the combining statements immediately following the required supplementary information.

City of Fremont, California
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002

GENERAL FUND BUDGETARY HIGHLIGHTS

A summary of the budgetary comparison schedule for the General Fund, located in the required supplementary information following the notes to the financial statements, is as follows:

SUMMARY OF GENERAL FUND BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2002
(dollars in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Beginning fund balance, July 1, 2001	\$ 33,177	\$ 33,177	\$ 46,503	\$ 13,326
Resources:				
Revenues	105,644	105,472	99,297	(6,175)
Transfers in	<u>8,257</u>	<u>8,257</u>	<u>6,376</u>	<u>(1,881)</u>
Total amount available for appropriation	<u>113,901</u>	<u>113,729</u>	<u>105,673</u>	<u>(8,056)</u>
Charges to appropriations:				
Expenditures	79,133	82,518	77,720	4,798
Transfers out	<u>38,957</u>	<u>38,357</u>	<u>37,910</u>	<u>447</u>
Total charges to appropriations	<u>118,090</u>	<u>120,875</u>	<u>115,630</u>	<u>5,245</u>
Resources over (under) charges to appropriations	<u>(4,189)</u>	<u>(7,146)</u>	<u>(9,957)</u>	<u>(2,811)</u>
Ending fund balance, June 30, 2002	\$ 28,988	\$ 26,031	\$ 36,546	\$ 10,515

Differences between the original budget and the final amended budget were due primarily to the reappropriation of encumbrances outstanding at June 30, 2001, and the reappropriation of departmental savings realized in prior years.

Between the time the 2001/02 budget was adopted and the books for the prior fiscal year (2000/01) were closed, the fund balance at June 30, 2001 increased by an unexpected \$13,326,000. This was because of very strong sales tax performance in 2000/01, before the effects of the economic downturn began to manifest themselves, coupled with larger than expected savings in spending by departments. Also included in the beginning fund balance at July 1, 2001, is a prior period adjustment of

City of Fremont, California
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002

\$6.2 million to remove a liability for compensated absences. This adjustment is described in more detail below.

Sales tax is the City's second largest source of revenue, and it can be quite volatile in an uncertain economy. Revenue volatility, while common to cities nationwide, is exacerbated in the Bay Area, especially in Silicon Valley communities that rely heavily on high-tech, business-to-business sales, as Fremont does. Our actual sales tax revenue for 2001/02 was \$29.2 million, which is 14.8% less than budgeted. The shortfall would have been worse, approximately 20.6%, if the City had not been able to include \$2.0 million in sales tax revenue that had been received but was subject to redistribution to other municipalities by the State Board of Equalization. The City and the Board resolved a portion of this issue in 2001/02, thereby allowing the City to include the \$2.0 million in sales tax revenue.

With growing storm clouds on the economic horizon, City management took actions to reduce spending Citywide by an average of 2% in 2001/02, in addition to departments' general frugality in managing their operations. This resulted in expenditures and transfers out for 2001/02 coming in 4.3% under budgeted levels. However, the General Fund had an operating deficit in 2001/02 that was \$2.8 million greater than anticipated. The prospect of an emerging structural imbalance between resources and use of those resources led City management to begin to plan and take steps to resolve this imbalance, and transition to a sustainable level of operations.

As part of the implementation of GASB Statement No. 34, the City removed \$6.2 million in liabilities for compensated absences in the General Fund. This adjustment is included in the beginning fund balance because it relates to expenditures recorded in prior years. Because of growing concern about the potential length and severity of the economic downturn, this money was set aside for future budget contingencies related to significant levels of financial uncertainty related to the Silicon Valley economic downturn and the unknown effects resolution of the State of California's own budget problem might have on the City.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Following is a summary of the City of Fremont's capital assets at June 30, 2002:

City of Fremont, California
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002

SUMMARY OF CAPITAL ASSETS
JUNE 30, 2002
(dollars in thousands)

Land	\$ 154,018
Land improvements	5,260
Infrastructure - non-depreciable	366,649
Infrastructure - depreciable	316,233
Buildings and improvements	79,379
Equipment	10,326
Vehicles	24,478
Construction in progress	<u>25,688</u>
	982,031
Less: Accumulated depreciation	<u>340,144</u>
Governmental activities capital assets, net	\$ 641,887

The City of Fremont's investment in capital assets for its governmental activities as of June 30, 2002, amounts to \$641,887,000 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings, equipment, vehicles, streets, curbs and gutters, and construction in progress. As a result of implementing GASB Statement No. 34, the City recorded \$676,140,000 in infrastructure assets that had not been reported previously. The City also conducted a comprehensive physical inventory of its capital assets, which resulted in some corrections to amounts previously reported in other capital asset categories.

In addition to the adjustments described above, the City added \$23,741,000 in new capital assets, including \$6,741,000 in developer dedications, during the 2001/02 fiscal year, and disposed of \$1,037,000 in capital assets. The major additions consisted of the renovation and refurbishing of the administration complex at 3300 Capitol Avenue, acquisition of land by the Redevelopment Agency, and acquisition of major fire vehicles and apparatus.

Additional information about the City of Fremont's capital assets can be found in Note 1.G and Note 4, following the basic financial statements.

Long-term Debt

At the end of the 2001/02 fiscal year, the City of Fremont had \$162,555,000 in bonds and notes outstanding. Of this amount, \$47,445,000 are tax increment notes issued by

City of Fremont, California
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002

the Redevelopment Agency, and \$115,110,000 are certificates of participation. A schedule of outstanding debt is presented below:

SUMMARY OF LONG-TERM DEBT
JUNE 30, 2002
(dollars in thousands)

	Balance July 1, 2001	Incurred or Issued	Satisfied or Matured	Balance June 30, 2002
Tax Allocation Bonds:				
Redevelopment Agency Tax Allocation Bonds, Series 2000	\$ 50,000		\$ 2,555	\$ 47,445
Certificates of Participation (COPs):				
1990 Public Financing Authority	6,025		250	5,775
1991 Public Financing Authority	4,300		100	4,200
1997 Public Financing Authority	5,890		100	5,790
1997 Public Financing Authority	7,960		180	7,780
1998 Public Financing Authority	12,000			12,000
1998 Public Financing Authority	16,750		1,185	15,565
1998 Public Financing Authority	19,550		465	19,085
2001 Capital Improvement Financing Project	34,860			34,860
2001B Capital Improvement Financing Project		10,055		10,055
Total	\$ 157,335	\$ 10,055	\$ 4,835	\$ 162,555

New debt of \$10,055,000 was issued during the year for the renovation and refurbishing of the administration complex at 3300 Capitol Avenue, and for acquisition of major fire vehicles and apparatus. Fifty-eight percent of the outstanding debt is in fixed rate instruments with an average interest rate of approximately 4.5%. The remaining 42% of the outstanding debt is in variable rate notes with an average interest rate of 2.9% as of June 30, 2002. The average interest rate on all outstanding City debt is 3.8% at June 30, 2002.

The City Council adopted a debt policy in February 1996 that limits debt obligations of the General Fund to 7% of budgeted expenditures and transfers out. As of June 30, 2002, the debt obligations were approximately 5% of budgeted expenditures and transfers out, which is well within the policy limit.

City of Fremont, California
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002

As of June 30, 2002, the two largest outstanding debt obligations were \$47,445,000 in Redevelopment Agency tax allocation bonds and \$34,860,000 in capital improvement certificates of participation (COPs). Both of these obligations were incurred in the 2000/01 fiscal year. The primary purpose of the tax allocation bonds is to finance freeway interchanges on Interstate 880 at Dixon Landing Road and Mission Boulevard/Warren Avenue, and a grade separation at Washington Boulevard. The purpose of the Washington Boulevard grade separation is to accommodate a Bay Area Rapid Transit (BART) extension to Warm Springs and eventually to San Jose. The 2001 COP was issued to finance the following:

- A police detention and property evidence storage facility
- HVAC improvements to the existing police building
- Retiring notes used to purchase land for a potential city hall site
- Acquisition of and improvements to new city offices at 3300 Capitol Avenue
- Acquisition of a site to be used for future construction of the City's Fire Station 11

All of the issues summarized above are backed by either a stand-by letter of credit or bond insurance. All of the debt issues backed by a letter of credit have an A+ rating from Standard & Poor's. All of the debt issues backed by bond insurance are rated AAA by Standard & Poor's. The City of Fremont's stand-alone issuer ratings are Aa2 from Moody's and A+ from Standard & Poor's.

Additional information about the City of Fremont's long-term debt can be found in Note 5, following the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The national economic slowdown, which began in late 2000/01 and was initially projected to be short and mild, extended through 2001/02 and into 2002/03. In California, a projected State budget shortfall of \$26-35 billion in 2002/03 has replaced last year's energy shortage as the State's lead economic story. Municipalities are waiting to see whether we will become part of the solution to the State's budget deficit.

Locally, the City faces two major challenges. First, the economic downturn continues to have a heavy impact on certain business-related revenues. The City's dependence on sales tax and other business-related revenues has grown over the past several years, leaving the City's budget vulnerable during an economic downturn. This

City of Fremont, California
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002

hampers the City's ability to responsibly expand services, which is particularly troubling in light of the increased demand for emergency preparedness and support of homeland defense measures. We remain cautious about the reports of economic recovery and anticipate any recovery to be moderate.

The second challenge is related to the State's severe budget problems. We are concerned that the Legislature could reduce local government's share of the Vehicle License Fee (VLF) or property tax, which would jeopardize the City's ability to sustain current service levels. In the case of VLF, the City could lose as much as \$9.0 million annually if the State chooses to keep the funds promised to local governments. Meanwhile, the City continues to lose more than \$9.0 million annually from State takeaways implemented during the previous fiscal crisis ten years ago. Until the threat of State diversion of funds diminishes, the City will avoid implementing any new or expanded services that commit ongoing resources.

Fremont is fortunate to have a diverse and vibrant business community and a strong real estate market. Our budget assumptions for 2002/03 acknowledge the uncertainty in the economy, and the budget includes contingency reserves to lessen the risk. In response to the unprecedented uncertainty that we face, we will focus on preserving basic services and sustaining maintenance of infrastructure and public facilities. The prudent budgeting and reserve policies we developed since the last recession will enable us to manage through this economic downturn. Prudent use of fund balance will cushion the impact of reduced revenues and mitigate the effects on departmental budgets and services.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Fremont's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Deputy City Manager and Chief Financial Officer, David N. Millican, at 39550 Liberty Street, P. O. Box 5006, Fremont, California 94537-5006.

This page intentionally left blank.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

This page intentionally left blank.

City of Fremont
Statement of Net Assets
June 30, 2002

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments held by City	\$ 246,212,190
Restricted cash and investments held by fiscal agent	38,945,792
Receivables:	
Property taxes	1,477,563
Sales taxes	4,504,303
Transient occupancy tax	261,771
Due from other governmental agencies	10,102,857
Accrued interest	6,058,659
Other	3,069,764
Total receivables	25,474,917
Total current assets	310,632,899
Noncurrent assets:	
Housing rehabilitation loans receivable, net	3,110,751
Condemnation deposits	3,100,000
Land held for sale	2,821,430
Capital assets:	
Nondepreciable assets	551,614,973
Depreciable assets, net	90,271,616
Total capital assets, net	641,886,589
Total noncurrent assets	650,918,770
Total assets	961,551,669
LIABILITIES	
Current liabilities:	
Accounts payable	11,332,716
Tax and revenue anticipation notes payable	9,807,892
Salaries and wages payable	3,895,874
Compensated absences	1,103,681
Claims payable	3,416,127
Due to other governmental agencies	7,405,599
Interest payable	1,298,595
Deferred revenue	13,810,419
Other accrued liabilities	187,987
Loans payable	1,500,000
Long-term debt - due within one year	5,385,000
Total current liabilities	59,143,890
Noncurrent liabilities:	
Compensated absences	7,853,748
Claims payable	3,046,340
Long-term debt - due in more than one year	157,170,000
Total noncurrent liabilities	168,070,088
Total liabilities	227,213,978
NET ASSETS	
Invested in capital assets, net of related debt	479,331,589
Restricted for:	
Capital projects and capital asset maintenance	135,172,613
Debt service	37,214,728
Community development	20,146,127
Specific projects and programs	15,739,080
Total restricted	208,272,548
Unrestricted	46,733,554
Total net assets	\$ 734,337,691

See accompanying Notes to Basic Financial Statements.

City of Fremont
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2002

Functions/Programs	Expenses	Program Revenues			Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 12,660,953	\$ 740,221	\$ -	\$ -	\$ 740,221
Police services	40,344,058	3,587,088	1,536,441	-	5,123,529
Fire services	24,359,513	1,907,064	50,604	-	1,957,668
Human services	4,843,775	945,544	3,520,820	-	4,466,364
Capital assets maintenance and operations	47,004,298	153,286	8,950,147	6,741,433	15,844,866
Recreation and leisure services	6,105,478	2,977,495	-	-	2,977,495
Community development and environmental services	26,257,703	9,545,939	225,776	-	9,771,715
Intergovernmental	7,405,599	-	-	-	-
Interest on debt	5,988,587	-	-	-	-
Total	\$174,969,964	\$ 19,856,637	\$ 14,283,788	\$ 6,741,433	\$ 40,881,858

General revenues:

Property taxes
Sales taxes
Business taxes
Other taxes
Total taxes
Motor vehicle in lieu
Development impact fees
Franchises
Intergovernmental
Investment earnings
Miscellaneous
Loss on disposal of capital assets

Total general revenues

Change in net assets

Net assets - beginning of year, as restated

Net assets - end of year

Net (Expense) Revenue
and Changes in
in Net Assets

Governmental
Activities

\$	(11,920,732)
	(35,220,529)
	(22,401,845)
	(377,411)
	(31,159,432)
	(3,127,983)
	(16,485,988)
	(7,405,599)
	(5,988,587)
	<hr/> (134,088,106) <hr/>

	58,062,912
	29,195,816
	5,655,770
	3,161,945
	<hr/> 96,076,443
	11,568,423
	2,916,140
	7,466,757
	1,056,448
	13,082,943
	3,236,007
	(192,919)
	<hr/> 135,210,242
	<hr/> 1,122,137
	733,215,554
\$	<hr/> 734,337,691 <hr/>

This page intentionally left blank.

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

City of Fremont
Balance Sheet
Governmental Funds
June 30, 2002

	Major Funds			
	General Fund	Redevelopment Agency	Development Impact Fees	State Gas Tax
ASSETS				
Cash and investments held by City	\$ 41,319,389	\$ 84,495,853	\$ 58,530,970	\$ 8,551,677
Restricted cash and investments held by fiscal agent	13,927	25,360,579	-	-
Receivables:				
Property taxes	947,437	530,126	-	-
Sales taxes	4,504,303	-	-	-
Transient occupancy taxes	261,771	-	-	-
Due from other governmental agencies	1,333,177	-	-	38,535
Housing loans receivable, net	-	1,500,000	-	-
Accrued interest	2,294,892	3,489,683	-	-
Other	1,403,302	13,705	41,197	-
Condemnation deposits	-	3,100,000	-	-
Due from other funds	5,740,239	-	-	-
Total assets	\$ 57,818,437	\$ 118,489,946	\$ 58,572,167	\$ 8,590,212
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 3,595,534	\$ 2,708,245	\$ 227,398	\$ 125,378
Tax and revenue anticipation notes payable	9,807,892	-	-	-
Salaries and wages payable	2,818,960	36,811	-	-
Compensated absences	878,992	921	-	-
Due to other funds	-	-	-	-
Due to other governmental agencies	-	7,405,599	-	-
Loans payable	-	1,500,000	-	-
Deferred revenue	3,982,763	3,394,427	-	-
Other accrued liabilities	187,987	-	-	-
Total liabilities	21,272,128	15,046,003	227,398	125,378
Fund Balances:				
Reserved for encumbrances	565,560	2,372,431	2,478,712	1,088,768
Reserved for debt service	-	32,154,199	-	-
Unreserved:				
Designated:				
Budget uncertainty	6,200,000	-	-	-
Contingencies	14,761,175	-	-	-
Program equity	2,952,235	-	-	-
Fair value adjustments	1,658,381	-	-	-
Future appropriations	10,408,958	-	-	-
Development cost center activities	-	-	-	-
Low and moderate income housing programs	-	13,848,048	-	-
Capital projects	-	50,046,570	55,866,057	-
Specific purposes	-	5,022,695	-	7,376,066
Undesignated	-	-	-	-
Total fund balances	36,546,309	103,443,943	58,344,769	8,464,834
Total liabilities and fund balances	\$ 57,818,437	\$ 118,489,946	\$ 58,572,167	\$ 8,590,212

See accompanying Notes to Basic Financial Statements.

Major Funds						Other	Total
Integrated Waste Management	Development Cost Center	Recreation and Leisure Services	Capital Maintenance	Governmental Funds	Governmental Funds		
\$ 10,116,663	\$ 5,752,984	\$ 6,344,247	\$ 1,751,341	\$ 24,114,801	\$ 240,977,925		
-	-	7,093	-	13,564,193	38,945,792		
-	-	-	-	-	1,477,563		
-	-	-	-	-	4,504,303		
-	-	-	-	-	261,771		
-	-	-	-	8,731,145	10,102,857		
-	-	-	-	1,610,751	3,110,751		
-	-	-	-	274,084	6,058,659		
151,988	281,178	95,422	63,092	763,809	2,813,693		
-	-	-	-	-	3,100,000		
-	-	-	-	-	5,740,239		
<u>\$ 10,268,651</u>	<u>\$ 6,034,162</u>	<u>\$ 6,446,762</u>	<u>\$ 1,814,433</u>	<u>\$ 49,058,783</u>	<u>\$ 317,093,553</u>		
\$ 105,795	\$ 51,626	\$ 66,466	\$ 866,403	\$ 3,483,825	\$ 11,230,670		
-	-	-	-	-	9,807,892		
21,211	357,473	136,974	332,353	42,110	3,745,892		
200	101,640	34,832	77,352	9,744	1,103,681		
-	-	-	-	5,740,239	5,740,239		
-	-	-	-	-	7,405,599		
-	-	-	-	-	1,500,000		
-	1,731,199	667,180	-	4,034,850	13,810,419		
-	-	-	-	-	187,987		
<u>127,206</u>	<u>2,241,938</u>	<u>905,452</u>	<u>1,276,108</u>	<u>13,310,768</u>	<u>54,532,379</u>		
170,662	114,629	3,388	651,448	32,099,504	39,545,102		
-	-	-	-	6,359,124	38,513,323		
-	-	-	-	-	6,200,000		
-	-	-	-	-	14,761,175		
-	-	-	-	-	2,952,235		
-	-	-	-	-	1,658,381		
-	-	-	-	-	10,408,958		
-	3,677,595	-	-	-	3,677,595		
-	-	-	-	-	13,848,048		
-	-	-	-	16,276,723	122,189,350		
9,970,783	-	5,537,922	-	9,353,041	37,260,507		
-	-	-	(113,123)	(28,340,377)	(28,453,500)		
<u>10,141,445</u>	<u>3,792,224</u>	<u>5,541,310</u>	<u>538,325</u>	<u>35,748,015</u>	<u>262,561,174</u>		
<u>\$ 10,268,651</u>	<u>\$ 6,034,162</u>	<u>\$ 6,446,762</u>	<u>\$ 1,814,433</u>	<u>\$ 49,058,783</u>	<u>\$ 317,093,553</u>		

This page intentionally left blank.

City of Fremont
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2002

Total Fund Balances - Total Governmental Funds	\$ 262,561,174
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	641,886,589
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet.	(1,298,595)
Internal service funds are used to charge the costs of insurance and information technology to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Government-Wide Statement of Net Assets.	1,589,391
Long-term debts are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(170,400,868)
Net Assets of Governmental Activities	<u><u>\$ 734,337,691</u></u>

City of Fremont
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2002

	Major Funds			
	General Fund	Redevelopment Agency	Development Impact Fees	State Gas Tax
REVENUES:				
Property tax	\$ 31,516,106	\$ 26,546,806	\$ -	\$ -
Sales tax	29,195,816	-	-	-
Business tax	5,655,770	-	-	-
Other taxes	3,161,945	-	-	-
Motor vehicle in lieu	11,568,423	-	-	-
Impact fees	-	-	2,916,140	-
Franchises	7,466,757	-	-	-
Charges for services	6,440,931	-	-	-
Intergovernmental	1,056,448	-	-	3,835,889
Investment earnings	2,724,103	5,192,743	2,703,187	444,251
Other	510,250	1,502,105	4,915	-
Total revenues	99,296,549	33,241,654	5,624,242	4,280,140
EXPENDITURES:				
Current:				
General government	11,981,513	-	-	-
Police services	37,270,907	-	-	-
Fire services	23,651,021	-	-	-
Human services	2,605,911	-	-	-
Capital assets maintenance and operations	-	-	3,491,831	5,717,329
Recreation and leisure services	-	-	-	-
Community development and environmental services	632,386	12,781,974	-	-
Intergovernmental	-	7,405,599	-	-
Capital outlay	864,555	-	1,578,238	-
Debt service:				
Principal	-	2,555,000	-	-
Interest and fiscal charges	713,915	2,197,701	34,841	-
Total expenditures	77,720,208	24,940,274	5,104,910	5,717,329
REVENUES OVER (UNDER)				
EXPENDITURES	21,576,341	8,301,380	519,332	(1,437,189)
OTHER FINANCING SOURCES (USES):				
Debt proceeds	-	-	-	-
Operating transfers in	6,375,962	1,034	-	-
Operating transfers out	(37,909,779)	(291,815)	(1,191,431)	(707,000)
Total other financing sources (uses)	(31,533,817)	(290,781)	(1,191,431)	(707,000)
Net change in fund balances	(9,957,476)	8,010,599	(672,099)	(2,144,189)
FUND BALANCES:				
Beginning of year as restated	46,503,785	95,433,344	59,016,868	10,609,023
End of year	\$ 36,546,309	\$ 103,443,943	\$ 58,344,769	\$ 8,464,834

See accompanying Notes to Basic Financial Statements.

Major Funds				Other	Total
Integrated Waste Management	Development Cost Center	Recreation and Leisure Services	Capital Maintenance	Governmental Funds	Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,062,912
-	-	-	-	-	29,195,816
-	-	-	-	-	5,655,770
-	-	-	-	-	3,161,945
-	-	-	-	-	11,568,423
-	-	-	-	-	2,916,140
-	-	-	-	-	7,466,757
2,145,968	5,899,630	2,977,495	65,450	2,327,163	19,856,637
159,686	-	-	-	9,433,261	14,485,284
-	281,349	618,107	-	1,776,176	13,739,916
-	-	-	-	1,160,864	3,178,134
2,305,654	6,180,979	3,595,602	65,450	14,697,464	169,287,734
-	-	-	-	-	11,981,513
-	-	-	-	2,050,339	39,321,246
-	-	-	-	-	23,651,021
-	-	-	-	2,146,926	4,752,837
-	-	-	17,813,673	11,201,071	38,223,904
-	-	5,441,694	-	-	5,441,694
1,519,223	8,185,880	-	-	3,320,703	26,440,166
-	-	-	-	-	7,405,599
-	14,636	-	435,346	14,106,615	16,999,390
-	-	-	-	2,280,000	4,835,000
-	-	-	-	3,457,487	6,403,944
1,519,223	8,200,516	5,441,694	18,249,019	38,563,141	185,456,314
786,431	(2,019,537)	(1,846,092)	(18,183,569)	(23,865,677)	(16,168,580)
-	-	-	-	10,055,000	10,055,000
6,315	2,920,583	3,103,526	21,188,322	42,329,827	75,925,569
(112,145)	(1,502,067)	(756,052)	(2,808,311)	(30,139,039)	(75,417,639)
(105,830)	1,418,516	2,347,474	18,380,011	22,245,788	10,562,930
680,601	(601,021)	501,382	196,442	(1,619,889)	(5,605,650)
9,460,844	4,393,245	5,039,928	341,883	37,367,904	268,166,824
\$ 10,141,445	\$ 3,792,224	\$ 5,541,310	\$ 538,325	\$ 35,748,015	\$ 262,561,174

City of Fremont

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2002

Net Change in Fund Balances - Total Governmental Funds	\$ (5,605,650)
--	----------------

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets additions recorded in the current period.	16,999,390
---	------------

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, depreciation is not reported as an expenditure in governmental funds.	(12,196,545)
---	--------------

Losses on the disposal of capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but do not require the use of current financial resources. Therefore, it is not reported as an expenditure in governmental funds.	(192,919)
--	-----------

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.	
Bond proceeds	(10,055,000)
Long-term debt repayments	4,835,000

Interest expense accrued on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, interest expense is not reported as an expenditure in governmental funds.	415,357
---	---------

Contributions of infrastructure assets from developers not reported as revenue in governmental funds.	6,741,433
---	-----------

Internal service funds are used to charge the costs of insurance and information technology, to individual funds. The net revenue of the internal service funds is reported with governmental activities.	181,071
---	---------

Change in Net Assets of Governmental Activities	\$ 1,122,137
---	--------------

PROPRIETARY FUND FINANCIAL STATEMENTS

City of Fremont
Statement of Net Assets
Proprietary Fund
June 30, 2002

	Internal Service
ASSETS	
Cash and investments held by City	\$ 5,234,265
Receivables:	
Other	256,071
Land held for sale	2,821,430
Total assets	8,311,766
LIABILITIES	
Accounts payable	99,960
Salaries and wages payable	149,982
Compensated absences	7,880
Claims payable	6,462,467
Other accrued liabilities	2,086
Total liabilities	6,722,375
NET ASSETS	
Unrestricted	1,589,391
Total net assets	\$ 1,589,391

See accompanying Notes to Basic Financial Statements.

City of Fremont
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the year ended June 30, 2002

	Internal Service
<hr/>	
OPERATING REVENUES:	
Charges for services	\$ 8,554,598
Other	57,873
Total operating revenues	<u>8,612,471</u>
OPERATING EXPENSES:	
Salaries and wages	2,025,428
Insurance premiums	446,204
Provision for claim losses	3,678,639
Claims administration	259,529
Materials and supplies	1,676,193
Other	35,456
Total operating expenses	<u>8,121,449</u>
OPERATING INCOME	<u>491,022</u>
NONOPERATING REVENUES (EXPENSES):	
Transfers in	37,731
Transfers out	(545,661)
Investment income	197,979
Total nonoperating revenues (expenses)	<u>(309,951)</u>
NET INCOME	181,071
NET ASSETS:	
Beginning of year	1,408,320
End of year	<u><u>\$ 1,589,391</u></u>

See accompanying Notes to Basic Financial Statements.

City of Fremont
Statement of Cash Flows
Proprietary Fund
For the year ended June 30, 2002

	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from users	\$ 8,533,428
Other revenue	57,873
Less: Payments to suppliers	(2,357,221)
Payments to employees for services	(1,946,083)
Payments for claims paid	(3,095,693)
Payments to others	(33,370)
Net cash provided (used) by operating activities	1,158,934
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on cash and investments	197,979
Net cash provided (used) by investing activities	197,979
CASH FLOWS FROM NONCAPITAL ACTIVITIES:	
Transfers	(507,930)
Net cash provided (used) by noncapital activities	(507,930)
Net increase (decrease) in cash and cash investments	848,983
CASH AND INVESTMENTS:	
Beginning of year	4,385,282
End of year	\$ 5,234,265
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income	\$ 491,022
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Accounts receivable	(21,170)
Accounts payable	24,705
Salaries and wages payable	93,706
Compensated absences	(14,361)
Claims payable	582,946
Other accrued activities	2,086
Net cash provided (used) by operating activities	\$ 1,158,934

See accompanying Notes to Basic Financial Statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

Agency Funds are used to account for assets held by the City on behalf of others as their agent. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not involve measurement of results of operations. Specific agency funds are as follows:

Local Improvement Districts - Special assessment bonds were issued by local improvement districts under various public improvement acts of the State of California and are secured by liens against properties deemed to have been benefited by the improvements for which the bonds were issued. The City acts as an agent in collecting the assessments from the property owners, forwarding the collections to bondholders, and initiating foreclosure proceedings when necessary. This fund also accounts for the City of Fremont Community Facilities District No. 1. \$30 million of Series 2001 bonds were issued to finance the first phase of public improvements at Pacific Commons, which will include the extension of Cushing Parkway, a priority item for the City of Fremont. The bonds have a series of maturities up to 30 years and have weighted average fixed interest rate of 6.20%.

Subdivision and Performance Bonds - This fund accounts for bonds and deposits received in conjunction with construction activity within the City, assets confiscated by the police and other deposits, which the City holds as fiduciary.

Tri-City Waste Facility Financing Authority - This fund accounts for the revenue bonds issued by the cities of Fremont, Newark and Union City to pay for the cities' share in the future landfill closing costs of the Durham Road Landfill.

Tri-City Waste Disposal Authority - This fund provides for the administration of funds collected by the Tri-City Waste Disposal Authority, which exists to administer disposal agreements for solid waste generated in the cities of Newark, Union City and Fremont.

Southern Alameda County GIS - This fund accounts for monies collected from participating agencies for the administration of the program. City of Fremont is the administrator of the Geographic Information System which serves the participating agencies. The Social Services JPA was approved by the City of Fremont, City of Union City, Union Sanitary District and Alameda County Water.

City of Fremont
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2002

	Local Improvement Districts	Subdivision and Performance Bonds	Tri-City Waste Facility Financing Authority	Tri-City Waste Disposal Authority
<u>All Agency Funds</u>				
Assets:				
Cash and investments held by City	\$ 10,512,482	\$ 1,280,692	\$ 378,843	\$ 248,345
Restricted cash and investments held by fiscal agent	34,417,134	19,805	764,782	-
Accounts receivable	-	32,305	-	-
Other receivables	59,127	-	31,128	4,231
Total assets	\$ 44,988,743	\$ 1,332,802	\$ 1,174,753	\$ 252,576
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deposits	44,988,743	1,332,802	1,174,753	252,576
Total liabilities	\$ 44,988,743	\$ 1,332,802	\$ 1,174,753	\$ 252,576

See accompanying Notes to Basic Financial Statements.

This page intentionally left blank.

City of Fremont
Index to Notes to Basic Financial Statements
For the year ended June 30, 2002

	<u>Page</u>
Note 1 - Summary of Significant Accounting Policies.....	47
Financial Reporting Entity	48
Basis of Accounting and Measurement Focus.....	49
Cash and Investments.....	54
Restricted Cash and Investments	55
Interfund Transactions.....	55
Land Held for Sale.....	55
Capital Assets.....	55
Claims Payable.....	57
Compensated Absences.....	57
Long-Term Obligations.....	57
Net Assets and Fund Balances.....	58
Use of Restricted/Unrestricted Net Assets.....	58
Property Taxes	58
Use of Estimates.....	59
Implementation of New GASB Pronouncements	60
Note 2 - Cash and Investments	60
Authorized Investments	61
Deposits.....	62
Investments	63
External Investment Pool	65
Note 3 - Receivables	66
Note 4 - Capital Assets	67
Note 5 - Long-Term Debt	68
Special Assessment Debt	69
Residential Mortgage Loan Program.....	70
Note 6 - Risk Management.....	70
Note 7 - Interfund Transactions	73
Interfund Receivables and Payables	73
Interfund Transfers.....	73

City of Fremont
Index to Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

	<u>Page</u>
Note 8 - Retirement Benefits.....	73
California Public Employees' Retirement System	73
Post-Retirement Benefits	75
Note 9 - Commitments and Contingencies	75
Note 10 - Subsequent Events	77
Note 11 - Prior Period Adjustments.....	78

City of Fremont
Notes to the Basic Financial Statements
For the year ended June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Fremont, California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Governmental Activities:

The City reports the following governmental activities:

General Government – These services are those that are associated with the general administration of the government. These services are primarily provided by the following offices/department: City Council, City Manager, City Attorney, City Clerk, Finance, Human Resources and the Office of Neighborhoods. These offices provide services that support external as well other internal government functions of the City.

Police Services – The Police Department is responsible for the safeguarding of citizens' lives and property, the preservation of constitutional rights, and neighborhood problem solving. These services also include the animal shelter and jail-booking services.

Fire Services – These services are provided by the Fire Department, which is responsible for providing fire and life safety emergency services in the City of Fremont. Services include emergency response, paramedic services, public education, emergency-preparedness training and hazardous materials management services for the City.

Human Services – These services are provided by the Human Services Department, which offers a range of services to the community, including a senior center, paratransit services, counseling, and support for seniors, families and youth.

Capital Asset Maintenance and Operations – These services are primarily provided by the Maintenance Department, which include the maintenance of the government's capital assets and infrastructure such as public buildings, parks, streets and vehicles.

Recreation and Leisure Services – These services are provided by the Recreation Department and include both performing and visual arts, youth and adult sports, youth and early childhood enrichment programs, park visitor services, as well as management of the community centers, special facilities, and historic sites.

Community Development and Environmental Services – These services are provided by the Development and Environmental Services Department and include community planning, engineering, code enforcement, building permit and inspection services, along with

City of Fremont
Notes to the Basic Financial Statements
For the year ended June 30, 2002

environmental services that enhance and preserve a high quality living environment within the City.

City of Fremont
Notes to the Basic Financial Statements
For the year ended June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Intergovernmental - These expenditures represent payments to other governmental agencies made by the Redevelopment Agency in accordance with pass-through fiscal agreements with those local taxing authorities.

A. Financial Reporting Entity

The City was incorporated in January 1956. The City has a council-manager form of government and provides a wide range of municipal services. As required by generally accepted accounting principles in the United States, these basic financial statements present the City and its component units.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the primary government's exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The following is a brief review of the component units included in the accompanying basic financial statements of the City. Financial information for these component units can be obtained from the City's finance office.

Redevelopment Agency of the City of Fremont (Agency) - A separate governmental entity established for the purpose of redeveloping certain areas of the City through development of industrial parks, commercial areas, and new residential housing. Funds for redevelopment projects are provided from various sources, including incremental property tax revenues, tax allocation bonds and advances from the City. Separate financial statements for the Agency are available from the City's Finance Department.

Fremont Public Financing Authority (Financing Authority) - A joint powers authority formed by the City and the Agency, organized for the purpose of financing certain capital projects for the City or the Agency.

Fremont Social Services JPA (Social Services JPA) - A joint powers authority formed by the City and the Agency, organized for the purpose of facilitating the activities of the Family Resource Center. In 1998, the Social Services JPA entered into a 40-year lease with the City for the two buildings which house the Family Resource Center. The Social Services JPA has committed to subleasing this space to CDBG-eligible tenants at below market rent over the 40-year lease term. Rents collected from CDBG-eligible tenants are used to make payments on the debt service obligations incurred in connection with the purchase of the buildings.

City of Fremont
Notes to the Basic Financial Statements
For the year ended June 30, 2002

The City Council serves in separate session as the governing body of the Agency, the Financing Authority and the Social Services JPA. As a result, the financial activities of these entities are integrally related to those of the City and are “blended” with those of the City.

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Financial Reporting Entity, Continued

Other governmental agencies that provide services within the City include the following:

- Fremont-Newark Community College District
- Fremont Unified School District
- Alameda County Flood Control & Water Conservation District
- Union Sanitary District
- Alameda County Water District
- East Bay Regional Park District
- Washington Township Hospital District and related organizations
- Alameda-Contra Costa Transit District
- Bay Area Rapid Transit District
- State of California
- County of Alameda

Financial information for the organizations listed above is not included in the accompanying basic financial statements because they have independently elected governing boards, their operations are separate from those of the City, and they are not financially dependent on the City.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government - Wide Financial Statements

The City's government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental activities for the City. Fiduciary activities of the City are not included in these statements.

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

These statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated.

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and aggregated non-major funds. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The City has presented all major funds that meet the criteria prescribed in GASB Statement No. 34.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

The City reports the following major governmental funds:

General Fund – This fund is the City’s primary operating fund. It accounts for all financial resources and outlays of the general government. The fund receives the City’s discretionary funding sources (e.g., property tax, sales tax, charges for services, etc.) and uses its resources for the general operations of the City (e.g., police, fire, general government) not accounted for in other funds.

Redevelopment Agency – This fund accounts for the activity of the Redevelopment Agency of the City. The fund receives incremental property taxes and disburses these proceeds for payment of principal and interest on the redevelopment tax increment bonds issued to finance improvements in the Irvington, Centerville, Niles and Industrial project areas. California Code Section 33487, pertaining to redevelopment agencies, requires the Agency to set aside 20% of its tax allocations for improving the community's low and moderate income housing stock. This fund also accounts for these restricted allocations.

Development Impact Fees – This fund accounts for the impact fees governed by the California Government Code Sections 66000-63000 (commonly referred to as AB1600) and Section 66477 (commonly referred to as the Quimby Act). The City assesses fees for fire, capital facilities, traffic, park dedication in lieu, and park facilities. These fees are used to defray all or a portion of the cost of additional public facilities needed to provide service to new development.

State Gas Tax – This fund accounts for monies apportioned to the City from State collected gasoline taxes. The annual allocation may be spent for street maintenance or construction. Typically, amounts received in this fund are transferred to the capital projects funds when they are to be expended for construction. Funds are apportioned by the State on the basis of population.

Integrated Waste Management – This fund accounts for monies received by the City to comply with the provisions of AB939 for the purpose of addressing recycling, household hazardous waste and solid waste management issues. These revenues may only be spent for integrated waste management and/or waste reduction programs.

Development Cost Center – This fund accounts for services related to planning, engineering and inspection of public and private development construction projects. The fund supports the accounting for the costs of delivering these services.

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Recreation and Leisure Services – This fund accounts for all recreation programs and services, including Central Park and activities of the community centers. Fees are generated from the various classes and programs offered to the public. All costs of these programs are then expended from these fees and from resources provided by the general fund.

Capital Maintenance – This fund accounts for the maintenance activities related to the City's capital assets, including parks, streets, buildings, fleet, and urban forestry. This fund is primarily supported by the general fund, and also receives contributions from State Gas Tax, integrated Waste Management, and Urban Water Runoff.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both “*measurable*” and “*available*” to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally received within 60 days after year-end) are recognized when due. The primary revenue sources that have been treated as susceptible to accrual by the City are property tax, sales tax, special assessments, intergovernmental revenues, other taxes, interest revenue, rental revenue and certain charges for services. Fines, forfeitures and licenses and permits are not susceptible to accrual because they are usually not measurable until received in cash. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenue arises when a potential revenue does not meet both the “*measurable*” and “*available*” criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures or when monies are received before the related services are performed. In subsequent periods, when both revenue recognition criteria are met or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

The reconciliations of the fund financial statements to the government-wide financial statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows for all proprietary funds.

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent)

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

The City reports the following proprietary fund:

Internal service funds - These funds account for the Risk Management and Information Technology Services provided to other departments or agencies of the government on a cost reimbursement basis.

However, internal service fund balances and activities have been combined with the governmental activities in the government-wide financial statements.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements consist of a Statement of Net Assets. The City's fiduciary fund represents agency funds, which are custodial in nature and do not involve measurement of results of operations. The agency funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting, as are the governmental funds explained above.

The City reports the following agency funds:

Local Improvement Districts - This fund accounts for the activity of the special assessment bonds that were issued by local improvement districts under various public improvement acts of the State of California and are secured by liens against properties deemed to have benefited by the improvements for which the bonds were issued. The City acts as an agent in collecting the assessments from the property owners, forwarding the collections to bondholders and initiating foreclosure proceedings when necessary. All community facility district funds account for the costs of infrastructure improvements in certain areas (districts) within the City. Financing is generally provided by the sale of special assessment bonds, and property owners are assessed their proportionate share.

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Subdivision and Performance Bonds – This fund accounts for bonds and deposits received in conjunction with construction activity within the City, assets confiscated by the police and other deposits, which the City holds as a fiduciary.

Tri-City Waste Facility Financing Authority – This fund accounts for the revenue bonds issued by the cities of Fremont, Newark and Union City.

Tri-City Waste Disposal Authority – This fund provides for the administration of funds collected by the Tri-City Waste Disposal Authority, which exists to administer disposal agreements for the solid waste generated in the cities of Fremont, Newark, and Union City.

Southern Alameda County GIS – This fund accounts for monies collected from participating agencies for the administration of this program. The City is the administrator of the Geographic Information System GIS, which serves the participating agencies. The Social Services JPA was approved by the City of Fremont, City of Union City, Union Sanitary District, and Alameda County Water District.

C. Cash and Investments

The City pools cash resources from all funds in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. Interest earned on investments is allocated to all funds on the basis of daily cash and investment balances.

The City participates in an investment pool managed by the State of California, the Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk as to change in interest rates.

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

Cash and cash equivalents are considered to be cash on hand, amounts in demand deposits and short-term investments with original maturities of three months or less from the date acquired by the City.

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Restricted Cash and Investments

Certain restricted cash and investments are held by a fiscal agent for the redemption of bonded debt and for acquisition and construction of certain capital projects.

E. Interfund Transactions

During the normal course of operations, the City has numerous transactions among funds. The significant interfund transactions that occurred during the year can be classified into two types:

Operating Transfers - Transactions to allocate the occurrence of specific expenditures within the receiving fund. These transactions are recorded as transfers in and out in the year in which they are approved.

Loans Between Funds - Transactions to loan resources from one fund to another. The interfund loans will be paid back when permanent financing is obtained or definitive funding sources become available. Short-term loans are recorded as "due from other funds" in the disbursing fund and "due to other funds" in the receiving fund.

F. Land Held for Sale

Land held for sale is recorded at the lower of acquisition cost or net realizable value in the fund acquiring the land.

G. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date donated. City policy has set the capitalization threshold for reporting infrastructure capital assets at \$25,000 and all other capital assets at \$5,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings	50 years
Building Improvements	20 years
Machinery and Equipment	5 - 25 years
Infrastructure	15 - 100 years
Vehicles	5 - 27 years

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Capital Assets, Continued

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with GASB Statement No. 34, the City has included all infrastructure in the 2001/02 basic financial statements.

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include the street system, park and recreation lands and improvement system, storm water collection system. Each major infrastructure system is divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. These subsystems are not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

The City elected to use the modified approach, as defined by GASB Statement No. 34, for infrastructure reporting of its streets, concrete and asphalt pavements. The City commissioned a physical assessment of the streets' condition in May 2001. This condition assessment will be performed every 3 years. Each homogeneous segment of City-owned streets was assigned a physical condition based on 17 potential defects. A Pavement Condition Index (PCI) was assigned to each street segment. The index is expressed in a continuous scale from 0 to 100: very good condition is assigned to segments with a scale rating between 71 and 85, good condition is assigned to segments with a rating between 56 and 70, fair condition is assigned to segments with a scale rating between 41 and 55, poor condition is assigned to segments with a scale rating between 26 and 40, very poor segments have a range of 11 to 25 and failed condition is assigned to segments with a scale rating between 0 and 10. The City's policy relative to maintaining its street assets is to achieve an average rating of 70 for all street segments. This acceptable rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds.

For all other infrastructure systems, the City elected to use the basic approach, as defined by GASB Statement No. 34, for infrastructure reporting. The City commissioned an appraisal of City owned infrastructure and property as of December 31, 2001, and has completed an internal update for June 30, 2002. This appraisal determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: (1) historical records; (2) standard unit costs appropriate for the construction/acquisition date; or (3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date of the current date. The accumulated depreciation, defined as the total depreciation from the date of

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Capital Assets, Continued

construction/acquisition to the current date on a straight line cost method, was computed using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

H. Claims Payable

The City records a liability to reflect an actuarial estimate of ultimate uninsured losses for both general liability claims (including property damage claims) and workers' compensation claims. The estimated liability for workers' compensation claims and general liability claims includes "incurred but not reported" (IBNR) claims. There is no fixed payment schedule to pay these liabilities.

I. Compensated Absences

In accordance with negotiated labor agreements, employees accumulate earned but unused vacation and other compensated leave, and sick pay benefits. There is no liability for unpaid accumulated sick leave because the City does not pay any amounts when employees separate from service with the City. All vacation and other compensated leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they are expected to be settled with current financial resources.

J. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financial sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Net Assets and Fund Balances

Government-Wide Financial Statements

In the government-wide financial statements, net assets are reported in one of three categories:

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

Fund Financial Statements

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans for future use of financial resources and are subject to change.

Reservation of fund balances of governmental funds and retained earnings of proprietary funds are created to either satisfy legal covenants, including state laws, that require a portion of the fund balance be segregated or identify the portion of the fund balance not available for future expenditures.

L. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City’s policy is to apply restricted net assets first.

M. Property Taxes

Under California law, property taxes are assessed and collected by the counties at a rate of up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool and are then allocated to the cities based on complex formulas. Property taxes are collected by the Auditor-Controller of the County of Alameda (County) and are remitted upon collection to the various taxing entities, including the City and the Agency. Accordingly, the City accrues only those taxes that are received from the County within sixty days after year-end.

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Property Taxes, Continued

For assessment and collection purposes, property is classified as either “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property comprises all taxable property not attached to land, such as personal property or business property. Every tax levied by a county that becomes a lien on secured property has priority over all present and future private liens arising pursuant to State law on the secured property, regardless of the time of the creation of the other liens. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on other property owned by the taxpayer.

Valuation of secured property and establishment of a statutory tax lien occur as of January 1 prior to the tax year (the tax year is the July 1 – June 30 fiscal year of the State) of the related tax levy, and the secured and unsecured tax rolls are certified on or before July 1 of the tax year by the County Assessor.

Lien Date (Secured)	January 1
Levy Date	January 1
Secured Taxes Due Date	November 1 and February 1
Secured Taxes Delinquency Date	December 10 and April 10
Unsecured Taxes Due Date	July 1
Unsecured Taxes Delinquency Date	August 31

N. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of revenues and expenses. Actual results could differ from these estimates and assumptions.

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

O. Implementation of New GASB Pronouncements

In 2002, the City implemented the following Governmental Accounting Standards Board Statements:

- Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and Related Interpretations
- Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*
- Statement No. 38, *Certain Financial Statement Note Disclosures*

GASB Statement No. 34 establishes new financial reporting requirements for state and local governments throughout the United States. As part of implementing this pronouncement, the City has restructured much of the information that it has presented in the past. The main goal is to make the reports more comprehensive and easier to understand and use.

GASB Statement No. 37 addresses selected issues and amends GASB Statement No. 21, *Accounting for Escheat Property*, and No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. These Statements make selective changes including accounting for escheat property, management's discussion and analysis, capitalization of construction – period interest, modified approach for reporting infrastructure, program revenues and major fund criteria.

GASB Statement No. 38 establishes and modifies disclosure requirements related to the summary of significant accounting policies, actions taken to address violations of significant finance – related legal and contractual provisions, debt and lease obligations, short-term debt, disaggregation of receivable and payable balances, and interfund balances and transfers.

2. CASH AND INVESTMENTS

The City maintains an internal cash and investment pool for all funds. Certain restricted funds, which are held and invested by independent outside custodians through contractual agreements, are not pooled, and are reported as cash with fiscal agents.

Investment income earned on pooled cash and investments (including realized and unrealized gains and losses) is allocated monthly to the various funds based on average daily cash balances. Investment income from cash and investments with fiscal agents is credited directly to the related funds.

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

2. CASH AND INVESTMENTS, Continued

A. Authorized Investments

The City's investment policy is adopted annually by the City Council in accordance with California Government Code Section 53601. Under provisions of the City's investment policy, the City may invest in the following types of investments:

- Bonds and notes issued by the City.
- U.S. Treasury bills, notes, bonds, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
- Registered state warrants or treasury notes or bonds issued by the State of California.
- Bonds, notes, warrants, or other evidence of debt issued by a local agency within the State of California with the highest credit rating (on the date of purchase) by two nationally recognized rating services.
- The Local Agency Investment Fund (LAIF) maintained by the State of California.
- Obligations issued by agencies or instrumentalities of the U.S. Government.
- Bankers' acceptances with a term not to exceed 180 days.
- Prime commercial paper with a term not to exceed 270 days and the highest rating issued by Moody's Investors Service or Standard & Poor's Corporation, on the date of purchase.
- Negotiable certificates of deposit issued by federally chartered or state-chartered banks or associations or by a state-licensed branch of a foreign bank.
- Repurchase agreements that comply with statutory requirements, are documented by a written agreement, are fully collateralized by delivery to an independent third-party custodian or the counterparty's bank's trust department or safekeeping department, and are for a term of one year or less.
- Medium-term notes with a maximum maturity of five years by corporations organized and operating in the United States.
- Shares of beneficial interest issued by diversified management companies investing in authorized securities and obligations (e.g., money market mutual funds).
- Insured or collateralized time deposits or savings accounts secured in accordance with the provisions of Sections 53651 and 53652 of the California Government Code.
- Any pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum maturity of five years.

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

- Other investments that are permitted by bond indenture agreements.

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

2. CASH AND INVESTMENTS, Continued

A. Authorized Investments, Continued

A five-year maximum maturity for each investment is allowed unless an extension of maturity is granted by the City Council.

In accordance with Section 53651 of the California Government Code, the City cannot invest in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, or in any security that could result in zero interest accrual if held to maturity. The limitation does not apply to investments in shares of beneficial interest issued under the Investment Company Act of 1940 that are authorized investments under Section 53601 of the California Government Code.

B. Deposits

At June 30, 2002, the carrying amount of the City's time and demand deposits was \$(1,702,565) and the bank balance was \$658,058. The difference between bank balance and carrying amount resulted from outstanding checks and deposits in transit. The bank balance of \$100,000 was covered by federal depository insurance and \$558,058 was collateralized with securities held by the counterparty or its agent in accordance with Section 53652 of the California Government Code. The California Government Code requires California financial institutions to secure a City's deposits by pledging government securities as collateral. The fair value of pledged securities must equal at least 110% of a City's deposits.

The City's deposits at year-end are categorized below to give an indication of the level of credit risk assumed by the City.

Category 1 - Deposits, which are insured by the FDIC and held by the City or its agent in the City's name.

Category 2 - Deposits, which are collateralized and held by the pledging financial institutions, trust department or agent in the City's name. The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits, or by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits.

Category 3 - Deposits which are uninsured or uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name.

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

2. CASH AND INVESTMENTS, Continued

C. Investments

The City's investments at year-end are categorized below to give an indication of the level of credit risk assumed by the City.

Category 1 - Investments which are insured by the Securities Investors Protection Corporation (SIPC), or investments which are held in definitive form by the City or the City's agent in the City's name, or investments acquired through the federal reserve book-entry system where the financial institution or broker/dealer associated with the purchase is adequately segregated from the custodial safekeeping agent on the same investments, and where the investments are recorded on the books and records of the financial institution or broker/dealer in the name of the City.

Category 2 - Investments which are uninsured, where the investments are acquired through a financial institution's investment or trading department, but are held in the same financial institution's trust department and are recorded in the City's name in the trust department's systems and records.

Category 3 - Investments which are uninsured (1) where the investments are acquired through a financial institution's investment department but are held for custodial purposes in the same financial institution's safekeeping department, (2) where the investments are acquired through a financial institution's trust department, and held for custodial safekeeping by the same trust department, (3) where the investments are acquired through, and held for safekeeping by, the same broker/dealer, or (4) where investments are not held in the City's name in the systems and records of the financial institution or broker/dealer.

Uncategorized - Certain cash deposits and investments are not subject to categorization under GASB Statement No. 3 and are identified as "Not Required to be Categorized."

The City has no Category 2 or Category 3 deposits or investments.

The following is a summary of pooled cash and investments, including cash and investments with fiscal agent at June 30, 2002:

	Government-Wide Statement of Net Assets	Fiduciary Funds Statement of Net Assets	Totals
	Governmental Activities		
Cash and investments	\$ 246,212,190	\$ 12,421,865	\$ 258,634,055
Restricted cash and investments	38,945,792	35,201,721	74,147,513
Totals	\$ 285,157,982	\$ 47,623,586	\$ 332,781,568

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

2. CASH AND INVESTMENTS, Continued

C. Investments, Continued

At June 30, 2002, the City's pooled cash and investments, including restricted funds, classified by risk category consisted of the following:

	<u>Category 1</u>	<u>Not Required to be Categorized</u>	<u>Fair Value</u>
City Treasury:			
Deposits:			
Cash on hand	\$ -	\$ 19,397	\$ 19,397
Deposits with banks	(1,702,565)	-	(1,702,565)
Certificates of deposit	4,300,000	-	4,300,000
Total deposits	<u>2,597,435</u>	<u>19,397</u>	<u>2,616,832</u>
Investments:			
U.S. government securities	122,679,442	-	122,679,442
Mutual funds	-	3,427,756	3,427,756
Bankers' acceptances	4,660,774	-	4,660,774
Commercial paper	18,681,320	-	18,681,320
Medium-term notes	36,816,966	-	36,816,966
California Local Agency Investment Fund	-	69,750,965	69,750,965
Total investments	<u>182,838,502</u>	<u>73,178,721</u>	<u>256,017,223</u>
Total City Treasury	<u>185,435,937</u>	<u>73,198,118</u>	<u>258,634,055</u>
Cash with Fiscal Agents	<u>-</u>	<u>74,147,513</u>	<u>74,147,513</u>
Total City and fiscal agent cash and investments	<u>\$ 185,435,937</u>	<u>\$ 147,345,631</u>	<u>\$ 332,781,568</u>

Restricted cash and investments held by fiscal agent in the Financing Authority Debt Service Fund is restricted for the payment of principal and interest on Certificates of Participation. In the agency funds, restricted cash and investments held by fiscal agent relate to the Special Assessment Bonds and Tri-City Waste Disposal Authority.

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that the City's investments be carried at fair market value instead of cost. Accordingly, the City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end and the effects of these adjustments are included in income for that fiscal year. Changes in value in the fiscal year ended June 30, 2002, amounted to an unrealized increase of \$725,637.

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

2. CASH AND INVESTMENTS, Continued

C. Investments, Continued

The fair value of investments held in the City Treasury, grouped by maturity date at June 30, 2002, are shown below:

<u>Maturity</u>	
Current to one year	\$ 150,199,119
One to two years	34,637,078
Two to three years	37,449,451
Three to four years	13,350,218
Four to five years	<u>20,381,357</u>
Total	<u><u>\$ 256,017,223</u></u>

D. External Investment Pool

The City invests in the California Local Agency Investment Fund (LAIF), a State of California external investment pool. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available.

The City valued its investments in LAIF as of June 30, 2002, at amortized cost, which approximates the fair market value.

The City's investments with LAIF at June 30, 2002, include a portion of pool funds invested in structured notes and asset-backed securities. These investments may include the following:

- **Structured Notes** are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.
- **Asset-Backed Securities**, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMOs) or credit card receivables.

As of June 30, 2002, the City had \$69,750,965 invested in LAIF, which had invested 3.086% of the pool investment funds in structured notes and asset-backed securities.

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

3. RECEIVABLES

As of June 30, 2002, the City had the following receivables:

A. Housing Loans Receivable

As of June 30, 2002, the City was owed, in its Community Development Block Grant Fund \$1,610,751 for various housing assistance loans made by the City. The terms of repayment are for 20 years at 5% interest per annum. Because the notes do not meet the City's availability criteria for revenue recognition, the City has deferred the revenue related to these loans.

In its HOME Grant Fund which is used for various affordable housing loans made by the City the accumulated interest receivable as of June 30, 2002 is \$274,084.

The City was also owed \$1,500,000 in its Redevelopment Agency Fund. In June 2001, the Agency approved a \$1,500,000, 3% simple interest, HELP Program loan to Eden Housing. The loan is fully repayable and is secured by a deed of trust against the Adams Avenue property. The funding was from monies awarded to the Agency by the California Housing and Finance Agency HELP Program. Revenue is recognized in the year of repayment, and is payable to the California Housing and Finance Agency within 90 days if monies are not re-loaned. The cumulative amount of interest receivable for these loans is \$27,019 as of June 30, 2002.

The City has issued other various housing loans, which are expected to be forgiven in future years. As a result, the City has recorded an allowance in anticipation of the amount to be forgiven for loans receivable in the same amount as the outstanding principal on those loans, resulting in a zero balance in the basic financial statements. Interest on the loans is recorded as interest receivable with an offsetting amount of deferred revenue since the City's revenue recognition criteria have not been met. The cumulative amount of these loans as of June 30, 2002 is \$20,416,168 and the accumulated interest receivable is \$3,280,931.

B. Interest Receivable

Interest receivable consists of the following:

Interest earnings on investments held by City	\$ 2,294,892
Interest earnings on investments held by fiscal agents	133,240
Interest on property taxes receivable	48,493
Interest on housing loans, home loans and rehabilitation loans receivable	<u>3,582,034</u>
Total	<u>\$ 6,058,659</u>

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2002, consists of the following:

	Balance July 1, 2001	Prior Period Adjustments	Balance July, 2001 As Restated	Increase	Decrease	Balance June 30, 2002
Nondepreciable assets:						
Land	\$ 84,798,666	\$ 67,513,873	\$152,312,539	\$ 1,705,230	\$ -	\$154,017,769
Land improvements	-	5,260,249	5,260,249	-	-	5,260,249
Infrastructure	-	365,336,186	365,336,186	1,313,117	-	366,649,303
Construction in progress	12,250,879	1,240,006	13,490,885	12,196,767	-	25,687,652
Total nondepreciable	97,049,545	439,350,314	536,399,859	15,215,114	-	551,614,973
Depreciable assets:						
Building and improvements	103,609,842	(24,666,702)	78,943,140	435,276	-	79,378,416
Equipment	13,794,896	(4,214,478)	9,580,418	1,021,797	(275,887)	10,326,328
Vehicles	17,171,212	6,427,562	23,598,774	1,640,320	(760,921)	24,478,173
Infrastructure	-	310,804,187	310,804,187	5,428,316	-	316,232,503
Total depreciable assets	134,575,950	288,350,569	422,926,519	8,525,709	(1,036,808)	430,415,420
Less accumulated depreciation	-	(328,791,148)	(328,791,148)	(12,196,545)	843,889	(340,143,804)
Depreciable assets, net	134,575,950	(40,440,579)	94,135,371	(3,670,836)	(192,919)	90,271,616
Total capital assets, net	\$231,625,495	\$398,909,735	\$630,535,230	\$ 11,544,278	\$ (192,919)	\$641,886,589

As part of the implementation of GASB Statement No. 34, the City commissioned an appraisal of City owned infrastructure and property as of December 31, 2001 and has completed an internal update to June 30, 2002. The appraisal and the internal update both resulted in various adjustments and reclassification to the City's capital assets inventory.

Depreciation expense for the depreciable assets was \$12,196,545 for year ended June 30, 2002.

Depreciation expense was charged to functions and programs of the primary government, as follows:

Governmental Activities:	
General government	\$ 735,790
Police services	1,147,640
Fire services	708,492
Human services	115,569
Capital assets maintenance and operations	8,784,463
Recreation and leisure services	563,948
Community development and environmental services	140,643
Total depreciation expense,	
governmental activities	\$ 12,196,545

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

4. CAPITAL ASSETS, Continued

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Assets. The City elected to use the "Modified Approach," as defined by GASB Statement No. 34, for infrastructure reporting for its pavement system. As a result, no accumulated depreciation expense has been recorded for this system. A more detailed discussion of the "Modified Approach" is presented in the Required Supplementary Information section of this report. All other capital assets, including other infrastructure systems, were reported using the basic approach whereby accumulated depreciation and depreciation expense have been recorded.

5. LONG-TERM DEBT

A summary of changes in governmental activities long-term debt for the year ended June 30, 2002, is as follows:

	Interest Rates	Amounts Outstanding July 1, 2001	Adjustment	Incurred or Issued	Satisfied or Matured	Amounts Outstanding June 30, 2002	Amounts Due Within One Year	Amounts Due in More than One Year
Tax Allocation Bonds:								
Redevelopment Agency Tax Allocation Bonds, Series 2000	4.125 - 5.10%	\$ 50,000,000	\$ -	\$ -	\$ (2,555,000)	\$ 47,445,000	\$ 2,800,000	\$ 44,645,000
Certificates of Participation:								
1990 Public Financing Authority	3.25 - 5.15%	5,775,000	250,000	-	(250,000)	5,775,000	275,000	5,500,000
1991 Public Financing Authority	3.25 - 5.15%	4,300,000	-	-	(100,000)	4,200,000	100,000	4,100,000
1997 Public Financing Authority	4.50 - 6.00%	5,890,000	-	-	(100,000)	5,790,000	105,000	5,685,000
1997 Public Financing Authority	4.25 - 6.60%	7,960,000	-	-	(180,000)	7,780,000	180,000	7,600,000
1998 Public Financing Authority	2.50 - 3.25%	12,000,000	-	-	-	12,000,000	210,000	11,790,000
1998 Public Financing Authority	4.00 - 4.75%	16,750,000	-	-	(1,185,000)	15,565,000	1,235,000	14,330,000
1998 Public Financing Authority	3.00 - 4.75%	19,550,000	-	-	(465,000)	19,085,000	480,000	18,605,000
2001 Capital Improvement Financing Project	Variable Rate	34,860,000	-	-	-	34,860,000	-	34,860,000
2001B Variable rate demand	Variable Rate	-	-	10,055,000	-	10,055,000	-	10,055,000
Total certificates of participation		107,085,000	250,000	10,055,000	(2,280,000)	115,110,000	2,585,000	112,525,000
Total long-term debt		\$ 157,085,000	\$ 250,000	\$ 10,055,000	\$ (4,835,000)	\$ 162,555,000	\$ 5,385,000	\$ 157,170,000

During the fiscal year ended June 30, 2000, the 1986 Irvington Redevelopment Project Tax Allocation Bonds were defeased. The bonds were originally issued by the City to provide funds to aid in financing projects pursuant to the Irvington Area Redevelopment Plan for the Irvington Redevelopment Project. Proceeds of \$4,375,000 were paid to the fiscal agent for the purpose of generating resources for all future debt service payments. The balance of the defeased bonds outstanding as of June 30, 2002, was \$3,285,000, which has been removed from the government-wide financial statements.

During the fiscal year ended June 30, 2002, the Financing Authority issued its 2001B Variable Rate Demand Certificates of Participation to provide funds to finance certain capital expenditures of the City, including capitalized interest, and pay the costs of financing. Each certificate represents a direct undivided fractional interest of the owner thereof in the lease payments to be made by the

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

5. LONG-TERM DEBT, Continued

City to the Financing Authority under a lease agreement, dated as of December 1, 2001, by and between the Financing Authority and the City, pursuant to which the authority will lease certain real property and improvements to the City.

The certificates are subject to redemption prior to maturity, to mandatory purchase under certain circumstances, and under certain circumstances may be tendered for purchase on demand of the owners thereof. Interest with respect to the certificates is payable at the adjustable interest rate established by Lehman Brothers, Inc., as Remarketing Agent, for each interest period. Interest with respect to the certificates will be payable on the first day of each February, May, August and November, commencing February 1, 2002. After the Conversion Date, if any, interest will be semi-annually on each February 1 and August 1 at the fixed interest rate, as determined in the Trust Agreement. Payment of principal, interest and purchase price with respect to the certificates will be initially supported by an irrevocable line of credit issued by The Bank of Nova Scotia, acting through its New York Agency, upon which the Trustee will draw on each interest or principal payment date or purchase date.

Amounts of long-term debt payable in the government-wide financial statements are generally payable from amounts available in related debt service funds and from annual property tax and certain other revenues collected for the purpose of retiring the respective debt obligations.

The annual principal and interest requirements of long-term debt are as follows:

Year Ending June 30,	Tax Allocation Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest
2003	\$ 2,800,000	\$ 2,085,534	\$ 2,585,000	\$ 5,037,328
2004	2,915,000	1,967,662	3,650,000	4,903,756
2005	3,035,000	1,844,564	3,795,000	4,740,710
2006	3,160,000	1,715,228	3,960,000	4,577,345
2007	3,295,000	1,578,849	4,150,000	4,403,387
2008-2012	18,760,000	5,539,710	24,630,000	19,030,120
2013-2017	13,480,000	1,021,485	19,290,000	14,037,932
2018-2022	-	-	20,285,000	9,629,589
2023-2027	-	-	21,840,000	4,643,748
2028-2032	-	-	10,925,000	770,914
Totals	\$ 47,445,000	\$ 15,753,032	\$ 115,110,000	\$ 71,774,829

A. Special Assessment Debt (No City Commitment)

Special assessment bonds have been issued under various public improvement acts of the State of California and are secured by liens against properties deemed to have been benefited by the improvements for which the bonds were issued. The City is not liable for repayment and acts only

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

5. LONG-TERM DEBT, Continued

A. Special Assessment Debt (No City Commitment), Continued

as an agent for the property owners in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings when necessary. These bonds are payable solely from assessments, specific reserves, and the proceeds from property foreclosures. As of June 30, 2002, special assessment bonded indebtedness (long-term and current portions) was approximately \$108,693,000, which was not recognized in the accompanying basic financial statements.

B. Residential Mortgage Loan Program (No City Commitment)

The Agency issued \$148,365,000 of housing program revenue bonds in 1986. The proceeds of the bonds were placed with a trustee for the purpose of providing certain mortgage loans. The trustee disburses the bond proceeds in accordance with the terms of the bond offerings and then services the mortgage loans. The bonds are not an obligation of the City or the Agency. The bond obligations and the related assets held by the trustee are not included in the accompanying basic financial statements.

6. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City established the Risk Management Internal Service Fund to account for and finance its uninsured risks of loss. Under the City's risk management program, the City retains risk for up to \$250,000 for each workers' compensation claim, \$500,000 for each general liability claim, and \$25,000 for each property claim. The liability for general liability claims in excess of \$500,000 and workers' compensation claims in excess of \$250,000 is discussed below.

The City records estimated liabilities for claims filed or expected to be filed up to the amounts for which it retains risk in the Risk Management Internal Service Fund. Charges to the General Fund and other funds are a percentage of payroll costs, as determined from an analysis of claims costs, and are recorded as expenditures or expenses of such funds and revenues of the Risk Management Internal Service Fund.

The City has retained an independent actuary to perform an analysis of the City's potential liability for the City's retained risk portions of the general liability and workers' compensation programs. The amount recorded as a liability consists of the specific reserves (self-insured retention) for individual known claims or lawsuits and estimates for incurred but not reported claims. The present value of estimated outstanding losses is calculated using a 5% discount rate to reflect future investments earnings. There were no reductions in insurance coverage from the

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

prior year and there were no insurance settlements which exceeded coverage in each of the past years.

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

6. RISK MANAGEMENT, Continued

Changes in the balances of claim liabilities (shown as claims payable in the accompanying basic financial statements) during the fiscal years ended June 30, 2002 and 2001, are as follows:

	2002	2001
Balance, beginning of year	\$ 5,879,521	\$ 5,841,927
Provision for claims losses	3,678,639	2,767,620
Claims payments	(3,095,693)	(2,730,026)
Balance, end of year	\$ 6,462,467	\$ 5,879,521
Due in one year	\$ 3,416,127	\$ 3,416,127
Due in more than one year	\$ 3,046,340	\$ 2,463,394

A. Participation in Public Entity Risk Pools

In February 1986, the City joined with other municipalities and regional municipal joint powers authorities to form the California Joint Powers Risk Management Authority (CJPRMA), a public entity risk pool currently operating as a general liability risk management and insurance program for 22 member entities. The purpose of the CJPRMA is to spread the adverse effects of losses among the member agencies. General liability claims in excess of \$500,000 and up to \$10,000,000 per occurrence are covered by the CJPRMA. Five years after settlement of all claims for a program year, CJPRMA retroactively adjusts premium deposits for any excess or deficiency in deposits related to paid claims and reserves.

Summary financial information for CJPRMA as of and for the year ended June 30, 2002 (latest available date), is as follows:

Cash and investments	\$ 60,530,310
Premiums and fees receivable	837,179
Other assets	81,606
Total assets	\$ 61,449,095
Total reserves, unearned premiums and other liabilities	\$ 38,026,089
Retained earnings	23,423,006
Total liabilities and retained earnings	\$ 61,449,095
Net premiums earned	\$ 8,583,389
Loss provision and premiums paid	(20,436,750)
General and administrative expenses	(735,944)
Operating income (loss)	(12,589,305)
Investment income	\$ 6,576,084
Net income (loss)	\$ (6,013,221)

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

6. RISK MANAGEMENT, Continued

A. Participation in Public Entity Risk Pools, Continued

The CJPRMA governing board consists of a representative from each member entity. All members have a single vote for policy and charter changes. An executive committee of seven is elected to handle administration. Complete financial statements for the CJPRMA can be obtained from CJPRMA, 233 San Ramon Valley Blvd, Suite 250, San Ramon, CA 94583.

In July 1992, the City joined with other municipalities and special districts to form the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX), a public entity risk pool currently operating as a workers' compensation risk management and insurance program for 25 member entities. Workers' compensation claims in excess of \$250,000 and up to \$500,000 are covered by LAWCX, and claims in excess of \$500,000 are insured with commercial carriers through LAWCX.

Summary financial information for LAWCX as of and for the year ended June 30, 2002 (latest available date), is as follows:

Cash and investments	\$ 4,967,488
Excess reimbursements receivable	101,643
Premiums and fees receivable	133,991
Prepaid assets	35,999
Total assets	\$ 5,239,121
Total reserves, unearned premiums and other liabilities	\$ 6,628,697
Retained earnings	(1,389,576)
Total liabilities and retained earnings	\$ 5,239,121
Net premiums earned	\$ 2,321,575
Less: Expenses	(3,425,372)
Net loss	\$ (1,103,797)

Each member of LAWCX is entitled to a seat on the Board of Directors and to cast weighted votes as set forth in the joint powers agreement. An underwriting committee of five representatives from the members is elected to formulate recommendations to introduce to the Board. Complete financial statements for LAWCX can be obtained from LAWCX, c/o Bickmore Risk Services 1020 19th Street, Suite 200, Sacramento, CA 95814.

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

7. INTERFUND TRANSACTIONS

A. Interfund Receivables and Payables

Interfund receivables and payables at June 30, 2002, were as follows:

		Due to	
Due from	General Fund	Non-Major Governmental Funds	Total
		\$ 5,740,239	\$ 5,740,239
	Total	\$ 5,740,239	\$ 5,740,239

B. Interfund Transfers

Interfund transfers for the year ended June 30, 2002, were as follows:

		Transfers In								
		General	Redevelopment	Integrated	Development	Recreation		Non-Major	Total	Internal
		Fund	Agency	Waste	Cost	and Leisure	Capital	Governmental	Governmental	Service
				Management	Center	Services	Maintenance	Funds	Funds	Funds
Transfers Out	General Fund	\$ -	\$ 1,034	\$ -	\$ 2,920,583	\$ 3,103,526	\$ -	\$ 31,884,636	\$ 37,909,779	\$ -
	Redevelopment Agency	290,161	-	-	-	-	-	8	290,169	1,646
	Development Impact Fees	850,000	-	-	-	-	-	341,431	1,191,431	-
	State Gas Tax	-	-	-	-	-	-	707,000	707,000	-
	Integrated Waste Management	24,687	-	-	-	-	-	87,458	112,145	-
	Development Cost Center	1,440,292	-	-	-	-	-	25,690	1,465,982	36,085
	Recreation and Leisure Services	625,058	-	-	-	-	-	130,994	756,052	-
	Capital Maintenance	-	-	-	-	-	-	2,808,311	2,808,311	-
	Non-Major Governmental Funds	3,145,764	-	6,315	-	-	21,188,322	5,798,638	30,139,039	-
	Internal Service Funds	-	-	-	-	-	-	545,661	545,661	-
	Totals	\$ 6,375,962	\$ 1,034	\$ 6,315	\$ 2,920,583	\$ 3,103,526	\$ 21,188,322	\$ 42,329,827	\$ 75,925,569	\$ 37,731
										\$ 75,963,300

8. RETIREMENT BENEFITS

A. California Public Employees' Retirement System

Plan Description - The City's defined benefit pension plans, City of Fremont Miscellaneous Plan and City of Fremont Safety Plan, provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries through the California Public

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

Employees' Retirement System (CalPERS). All permanent City employees classified as full-time, as well as part-time permanent and temporary City employees who work 1,000 or more hours per

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

8. RETIREMENT BENEFITS, Continued

A. California Public Employees' Retirement System, Continued

year, are required to participate in CalPERS. Benefits vest after five years of service. City employees who retire at or after age 55 (50 for safety employees) are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to at least 2% for miscellaneous employees and 3% for safety employees for each year of service of their highest annual salary. Fiscal year 2001/02 was the first full year in which the safety benefit was at this level; previously the benefit was 2% for each year of service of their highest salary. The service retirement benefit for public safety is capped at 90% of final compensation. There is no cap on retirement benefits for miscellaneous employees. CalPERS also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and City ordinance.

The City of Fremont Miscellaneous Plan and City of Fremont Safety Plan are part of the Public Agency portion of CalPERS, an agent multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy – Active plan members in the City of Fremont Miscellaneous Plan are required to contribute 7% of their annual covered salary. Active plan members in the City of Fremont Safety Plan are required to contribute 9% of their annual covered salary. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2001/02 was 0.0% of covered payroll for miscellaneous employees and 12.38% of covered payroll for safety employees. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is actuarially established and may be amended by CalPERS.

Annual Pension Cost – For fiscal year 2001/02, the City's annual pension cost was \$3,784,419, which was equal to the City's required and actual contributions. The required contribution rate for fiscal year 2001/02 was determined as part of the June 30, 1999, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (1) 8.25% investment rate of return (net of administrative expenses); (2) projected salary increases that vary by duration of service ranging from 3.75% to 14.20% for miscellaneous members, and from 3.75% to 11.59% for safety members; (3) an inflation component of 3.5%, and (4) 3% annual cost-of-living adjustment for miscellaneous members and 2% annual cost-of-living adjustment for safety members. The actuarial values of the Miscellaneous and Safety Plans' assets were determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three-year period. CalPERS unfunded actuarial accrued liability (or surplus) is amortized as a level percentage of projected payroll. The amortization period at June 30, 1999, was 20 years for miscellaneous members and 20 years for the safety members for prior and current service unfunded liabilities.

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

8. RETIREMENT BENEFITS, Continued

A. California Public Employees' Retirement System, Continued

Three-Year Trend Information for City of Fremont Miscellaneous Plan

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/00	\$ -	100%	\$ -
6/30/01	-	100%	-
6/30/02	-	100%	-

Three-Year Trend Information for City of Fremont Safety Plan

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/00	\$ 3,167,177	100%	\$ -
6/30/01	1,220,809	100%	-
6/30/02	3,784,419	100%	-

B. Post-Retirement Benefits

In addition to providing the retirement benefits described above, the City provides post-retirement healthcare benefits, in accordance with bargaining unit agreements, to qualified retired employees. Retirees must make an election within 90 days following the date of separation from City employment to be eligible for the benefits. Approximately 412 employees are currently eligible to receive the benefit. The City reimburses all or part of premium payments for medical insurance. The reimbursement amount is subject to a negotiation process and varies by bargaining unit and retirement date. The benefit is paid monthly to the retiree subject to proof of coverage and attestation of premium payment. The benefit generally ceases upon death of the retiree. Expenditures for post-retirement benefits are recognized on a pay-as-you-go basis. Total expenditures for premium reimbursement in the year ended June 30, 2002, were approximately \$735,320.

9. COMMITMENTS AND CONTINGENCIES

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

9. COMMITMENTS AND CONTINGENCIES, Continued

In a cooperation and financing agreement between the City and the Agency, the City and the Agency agree to share the costs of improvements for four freeway interchanges on Interstate 880. In a joint powers agreement with the City of Milpitas, California, the City of Milpitas has agreed to match the City and Agency's contribution towards the costs of improving one of these four freeway interchanges. As of June 30, 2002, the City and Agency had incurred cumulative project expenditures of \$45,607,898 for the four interchanges. Management's estimate of remaining project costs, including outside funding sources, is \$211 million.

The Agency has entered into agreements with various taxing authorities whereby the Agency passes through a portion of its incremental property tax received from the County for these taxing authorities. These payments are shown as intergovernmental expenditures in the accompanying basic financial statements. As of June 30, 2002, the total pass-through obligation of \$7,405,599 had not yet been paid. This amount is included in due to other governmental agencies in the accompanying basic financial statements.

A. Housing Loan Commitments

In January 1998, the Agency approved a loan commitment agreement between the Agency and a developer for a cumulative amount of \$630,000. The developer has entered into an agreement to acquire an existing eight-unit building to be rehabilitated for affordable housing. The Agency will fund \$150,000 of the loan with low and moderate income housing funds, and the remaining \$480,000 will be paid using funds from the City's HOME Grant Program. As of June 30, 2002, cumulative expenditures for this project totaled \$591,297.

In January 2001, the Agency approved \$1,060,000 in additional funding, for a total of \$1,151,500, from the Redevelopment Agency Housing Fund for predevelopment and land acquisition expenses related to the BridgeWay expansion project proposed by the Tri-City Homeless Coalition. As of June 30, 2002, cumulative expenditures by the Agency totaled \$1,150,129.

In June 2001, the Agency approved \$823,072 from the Redevelopment Agency Housing Fund to provide financing for Adams Avenue Homes and executed new loan documents with Eden Housing, for a total loan amount of \$2,228,072, to be secured by a deed of trust against the Adams Avenue property. As of June 30, 2002, the cumulative expenditures by the Agency totaled \$2,021,702.

With respect to the loan commitments described above, the borrowers agree to pay to the Agency an amount equal to excess cash, which is defined as the operating revenue in excess of the amount required for operation of the development, including current debt service, other mortgage loans, property management fees, taxes, insurance, and other operating costs. In the event that excess cash is not generated, all loan principal and interest payments are deferred.

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

10. SUBSEQUENT EVENTS

A. Capital Project Notes

New capital project notes in the amount of \$10,430,000, bearing interest at 2.5%, were issued on July 24, 2002. The proceeds will be used to fund certain costs of construction of a new City maintenance center and pay for the cost of issuing the notes. The new notes will mature on February 1, 2003. The notes will be paid off using the proceeds of the Certificates of Participation issued on December 18, 2002, amounting to \$36,820,000.

B. Board of Equalization Sales Tax Appeal

On June 30, 2002, the City had an outstanding appeal with the California State Board of Equalization regarding their proposed allocation of sales tax generated by a Fremont-based facility. As of July 1, 2001, the amount in question was reported as deferred revenue, pending the determination by the Board. During the course of fiscal 2001/02, some of the issues surrounding the dispute were resolved and clarified, and the remaining amount in question was reclassified as accounts payable. In November 2002, the Board of Equalization heard the case and sustained the City's appeal. The financial impact of this decision is that the City will recognize one-time revenue of approximately \$3 million in fiscal year 2002/03.

C. City of Fremont Miscellaneous Plan

In August 2002, the City amended its contract with CalPERS to change the retirement benefit formula for miscellaneous (i.e., non-safety) employees from 2% to 2.5% of highest annual salary for each year of service at age 55. This change resulted in an increase in the employee contribution rate from 7% to 8% of their annual covered salary, and in the fiscal year 2002/03 employer contribution rate from .247% to 4.506% of covered payroll. A portion of the increase in the employer cost will be offset by a negotiated reduction in the cost of living salary adjustments in subsequent years. Under this plan, the minimum retirement age remains at 50.

City of Fremont
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2002

11. PRIOR PERIOD ADJUSTMENTS

The City recorded the following prior period adjustments as a result of implementing GASB Statement No. 34.

A. Government-Wide Financial Statements

In the government-wide activities, capital assets and long-term debt not previously reported in governmental activities were recorded in accordance with GASB Statement No. 34. Prior period adjustments were also recorded to reflect prior year interest accruals and compensated absences payable from the governmental funds.

	Net Assets as Previously Reported	Capital Assets	Long-term Liabilities	Prior Period Adjustments	Net Assets as Restated
Government-Wide Activities:					
Net assets	\$263,480,208	\$630,535,230	\$(165,180,868)	\$ 4,380,984	\$733,215,554
Total government-wide activities	<u>\$263,480,208</u>	<u>\$630,535,230</u>	<u>\$(165,180,868)</u>	<u>\$ 4,380,984</u>	<u>\$733,215,554</u>

B. Fund Financial Statements

A prior period adjustment was recorded in the General Fund to remove the prior year balance of the long-term portion of compensated absences payable from the General Fund.

	Fund Balance as Previously Reported	Prior Period Adjustments	Fund Balance as Restated
Major Fund:			
General Fund	\$ 40,408,849	\$ 6,094,936	\$ 46,503,785
Total major fund	<u>\$ 40,408,849</u>	<u>\$ 6,094,936</u>	<u>\$ 46,503,785</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Fremont
Required Supplementary Information, Continued
For the year ended June 30, 2002

1. BUDGETARY INFORMATION

Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. The Annual Budget assures the efficient and effective uses of the City's economic resources, as well as establishing that highest priority objectives are accomplished.

The Annual Budget serves from July 1 to June 30, and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees and other public agencies. In addition, it establishes the foundation of effective financial planning by providing resource allocation, performance measures and controls that permit the evaluation and adjustment of the City's performance.

The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a) The City Council adopts an annual budget by resolution prior to August 1 of each fiscal year. The annual budget indicates appropriations by fund or, in some instances, by program. The City Council may adopt supplemental appropriations during the year. At the fund level, expenditures may not legally exceed appropriations. The City Manager is authorized to transfer budgeted amounts between departments or programs within any fund.

The City Manager may also increase appropriations for operating expenditures for the Development Cost Center and Recreation Cost Center when quarterly fee estimates in those funds exceed the amounts estimated at the time of budget adoption because of increased fee activity. Any revisions or transfers that alter the total appropriations of other funds must be approved by the City Council.

- b) Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are adopted for the General and certain special revenue funds (specifically, Low and Moderate Income Housing, Development Cost Center, and Redevelopment Agency funds). Project-length budgets are adopted for all capital projects funds, and either project-length budgets or non-appropriated financial plans are adopted for certain other special revenue funds (all special revenue funds except those specifically mentioned in the preceding sentence).
- c) No changes were made to estimated revenues during the year. Supplementary budgetary appropriations were adopted by the City Council during the year; however, these supplemental budgetary appropriations were not material in relation to the budget as originally adopted.

City of Fremont
Required Supplementary Information, Continued
For the year ended June 30, 2002

1. BUDGETARY INFORMATION, Continued

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental fund types. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Unexpended annual appropriations lapse at the end of the fiscal year; encumbered appropriations are re-budgeted in the next fiscal year. Unexpended capital improvement appropriations are carried forward until the improvements or programs are complete.

Following are the budget comparison schedules for the General Fund and applicable major special revenue funds for which an annual operating budget was adopted.

City of Fremont
Required Supplementary Information, Continued
For the year ended June 30, 2002

1. BUDGETARY INFORMATION, Continued

Budgetary Comparison Schedule, General Fund

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance with Final Budget
	Original	Final	Amounts	
Fund Balance - Beginning	\$ 33,177,335	\$ 33,177,335	\$ 46,503,785	\$ 13,326,450
Resources (inflows):				
Property tax	32,458,000	32,458,000	31,516,106	(941,894)
Sales tax	34,257,000	34,257,000	29,195,816	(5,061,184)
Business tax	7,081,000	5,699,000	5,655,770	(43,230)
Other taxes	4,600,000	5,824,000	3,161,945	(2,662,055)
Motor vehicle in lieu	11,288,000	11,288,000	11,568,423	280,423
Franchises	6,902,000	6,902,000	7,466,757	564,757
Charges for services	4,652,000	4,810,000	6,440,931	1,630,931
Intergovernmental	863,000	863,000	1,056,448	193,448
Investment earnings	3,060,000	3,060,000	2,724,103	(335,897)
Other taxes	483,000	311,000	510,250	199,250
Operating transfers in	8,256,826	8,256,826	6,375,962	(1,880,864)
Amount available for appropriations	113,900,826	113,728,826	105,672,511	(8,056,315)
Charges to appropriations (outflows):				
General government	16,545,114	14,392,118	11,981,513	2,410,605
Police services	35,736,158	38,496,862	37,270,907	1,225,955
Fire services	22,234,799	24,663,331	23,651,021	1,012,310
Human services	2,364,984	2,623,462	2,605,911	17,551
Community development and environmental services	623,267	713,019	632,386	80,633
Capital outlay	869,000	869,000	864,555	4,445
Debt service:				
Interest and fiscal charges	760,000	760,000	713,915	46,085
Operating transfers out	38,957,078	38,357,078	37,909,779	447,299
Total charges to appropriations	118,090,400	120,874,870	115,629,987	5,244,883
Resources over (under) charges to appropriations	(4,189,574)	(7,146,044)	(9,957,476)	(2,811,432)
Fund Balance - Ending	\$ 28,987,761	\$ 26,031,291	\$ 36,546,309	\$ 10,515,018

City of Fremont
Required Supplementary Information, Continued
For the year ended June 30, 2002

1. BUDGETARY INFORMATION, Continued

Budgetary Comparison Schedule, Redevelopment Agency

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance with Final Budget
	Original	Final	Amounts	
Fund Balance - Beginning	\$ 80,650,935	\$ 80,650,935	\$ 95,433,344	\$ 14,782,409
Resources (inflows):				
Property tax	22,023,271	22,023,271	26,546,806	4,523,535
Investment earnings	200,000	200,000	5,192,743	4,992,743
Other taxes	-	-	1,502,105	1,502,105
Operating transfers in	-	-	1,034	1,034
Amount available for appropriations	22,223,271	22,223,271	33,242,688	11,019,417
Charges to appropriations (outflows):				
Community development and environmental services	54,259,346	54,259,346	12,781,974	41,477,372
Intergovernmental	7,405,599	7,405,599	7,405,599	-
Debt service:				
Principal	2,555,000	2,555,000	2,555,000	-
Interest and fiscal charges	2,388,284	2,388,284	2,197,701	190,583
Operating transfers out	477,811	477,811	291,815	185,996
Total charges to appropriations	67,086,040	67,086,040	25,232,089	41,853,951
Resources over (under) charges to appropriations	(44,862,769)	(44,862,769)	8,010,599	52,873,368
Fund Balance - Ending	\$ 35,788,166	\$ 35,788,166	\$ 103,443,943	\$ 67,655,777

Budgetary Comparison Schedule, Integrated Waste Management

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance with Final Budget
	Original	Final	Amounts	
Fund Balance - Beginning	\$ 9,460,844	\$ 9,460,844	\$ 9,460,844	\$ -
Resources (inflows):				
Charges for services	1,853,008	1,853,008	2,145,968	292,960
Intergovernmental	70,771	70,771	159,686	88,915
Operating transfers in	-	-	6,315	6,315
Amount available for appropriations	1,923,779	1,923,779	2,311,969	388,190
Charges to appropriations (outflows):				
Community development and environmental services	1,538,908	1,504,829	1,519,223	(14,394)
Operating transfers out	207,743	207,743	112,145	95,598
Total charges to appropriations	1,746,651	1,712,572	1,631,368	81,204
Resources over (under) charges to appropriations	177,128	211,207	680,601	469,394
Fund Balance - Ending	\$ 9,637,972	\$ 9,672,051	\$ 10,141,445	\$ 469,394

City of Fremont
Required Supplementary Information, Continued
For the year ended June 30, 2002

1. BUDGETARY INFORMATION, Continued

Budgetary Comparison Schedule, Development Cost Center

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance with Final Budget
	Original	Final	Amounts	
Fund Balance - Beginning	\$ 4,464,000	\$ 4,464,000	\$ 4,393,245	\$ (70,755)
Resources (inflows):				
Charges for services	8,337,552	8,337,552	5,899,630	(2,437,922)
Investment earnings	402,000	402,000	281,349	(120,651)
Operating transfers in	2,813,399	2,813,399	2,920,583	107,184
Amount available for appropriations	11,552,951	11,552,951	9,101,562	(2,451,389)
Charges to appropriations (outflows):				
Community development and environmental services	9,741,545	9,741,545	8,185,880	1,555,665
Capital outlay	14,636	14,636	14,636	-
Operating transfers out	1,753,770	1,753,770	1,502,067	251,703
Total charges to appropriations	11,509,951	11,509,951	9,702,583	1,807,368
Resources over (under) charges to appropriations	43,000	43,000	(601,021)	(644,021)
Fund Balance - Ending	\$ 4,507,000	\$ 4,507,000	\$ 3,792,224	\$ (714,776)

Budgetary Comparison Schedule, Recreation and Leisure Services

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance with Final Budget
	Original	Final	Amounts	
Fund Balance - Beginning	\$ 5,039,928	\$ 5,039,928	\$ 5,039,928	\$ -
Resources (inflows):				
Charges for services	3,393,515	3,329,662	2,977,495	(352,167)
Investment earnings	350,200	350,200	618,107	267,907
Other revenues	19,200	21,765	-	(21,765)
Operating transfers in	3,152,450	3,152,450	3,103,526	(48,924)
Amount available for appropriations	6,915,365	6,854,077	6,699,128	(154,949)
Charges to appropriations (outflows):				
Recreation and leisure services	4,887,010	5,185,192	5,441,694	(256,502)
Operating transfers out	749,264	734,259	756,052	(21,793)
Total charges to appropriations	5,636,274	5,919,451	6,197,746	(278,295)
Resources over (under) charges to appropriations	1,279,091	934,626	501,382	(433,244)
Fund Balance - Ending	\$ 6,319,019	\$ 5,974,554	\$ 5,541,310	\$ (433,244)

City of Fremont
Required Supplementary Information, Continued
For the year ended June 30, 2002

2. MODIFIED APPROACH FOR THE CITY'S INFRASTRUCTURE

In accordance with GASB Statement No. 34, the City is required to account for and report infrastructure capital assets. The City defines infrastructure as the basic physical assets including the street system; park and recreation lands and improvement system; storm water collection system; and buildings combined with site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the street system can be divided into concrete and asphalt pavements, concrete curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

The City has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for the Roads and Streets networks. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amount to maintain and preserve at the established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

In 2001, the City commissioned a study to update the physical condition assessment of the streets. The prior assessment study was completed in 1999. The streets, primarily concrete and asphalt pavements were defined as all physical features associated with the operation of motorized vehicles that exist within the limits of right of way. City owned streets are classified based on land use, access and traffic utilization into the following four classifications (1) arterial/major, (2) secondary, (3) collector and (4) local. This condition assessment will be performed every three years. Each street was assigned a physical condition based on 17 potential defects. A Pavement Condition Index (PCI), a nationally recognized index, was assigned to each street and expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned the physical characteristics of a new street. The following conditions were defined:

Condition	Rating
Excellent	86-100
Very Good	71-85
Good	56-70
Fair	41-55
Poor	26-40
Very Poor	11-25
Substandard	0-10

City of Fremont
Required Supplementary Information, Continued
For the year ended June 30, 2002

2. MODIFIED APPROACH FOR THE CITY'S INFRASTRUCTURE, Continued

The City Policy is to achieve an average rating of 70 for all streets, which is a good rating. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds. As of June 30, 2002, the City's street system was rated at a PCI index of 79 on the average with the detail condition as follows:

Condition	Rating	% of Streets
Excellent to Good	56-100	68.7%
Fair	41-55	19.1%
Poor to Substandard	0-40	12.2%

The City's streets are constantly deteriorating due to the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities, such as pothole patching, street sweeping, and sidewalk repair. The City expended \$6,728,295 on street maintenance for the fiscal year ended June 30, 2002. These expenditures delayed deterioration; however, the overall condition of the streets was not improved through these maintenance expenditures. The City estimates that the amount of annual expenditures required to maintain the City's streets at the average PCI rating of 74 through the year 2005 is a minimum of \$3,900,000. A schedule of estimated annual amounts calculated to maintain and preserve its streets at the current level compared to actual expenditures for street maintenance for the last four years is presented below.

Fiscal Year	Maintenance Estimate	Actual Expenditures	PCI Rating
1998-99	\$ 4,391,247	\$ 5,667,836	76.75
1999-00	4,340,298	1,478,939	77.00
2000-01	4,275,217	9,933,502	78.00
2001-02	4,296,174	6,728,295	79.00

The City also has an on-going street rehabilitation program funded in the Capital Improvement Program that is intended to improve the condition rating of City streets. The rehabilitation program is formulated based on deficiencies identified as a part of its Pavement Management System (PMS). As of June 30, 2002, approximately 31.3% of the City's streets were rated below the average standard of 70. This represents an improvement over the prior year when the City had 35.6% of its streets rated below 70. The City will continue to rehabilitate these segments of the streets. Total deficiencies identified in the PMS amounted to approximately \$64,027,363 for all streets, with \$27,793,741 in deficiencies on street segments rated below the PCI of 70.

City of Fremont
Required Supplementary Information, Continued
For the year ended June 30, 2002

3. DEFINED BENEFIT PENSION PLAN

A schedule of funding progress for the year ended June 30, 2002, including the past three actuarial valuations, is presented below.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)
SCHEDULE OF FUNDING PROGRESS

Miscellaneous Employees

Actuarial Valuation Date*	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	(Overfunded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	(Overfunded) Actuarial Liability as Percentage of Covered Payroll
6/30/1998	\$ 118,343,193	\$ 96,260,876	\$ (22,082,317)	122.9%	\$ 26,964,742	(81.89%)
6/30/1999	133,479,920	105,860,546	(27,619,374)	126.1%	29,016,683	(95.18%)
6/30/2000	152,340,891	124,496,803	(27,844,088)	122.4%	32,253,847	(86.33%)

Safety Employees

Actuarial Valuation Date*	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	(Overfunded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	(Overfunded) Actuarial Liability as Percentage of Covered Payroll
6/30/1998	\$ 174,416,206	\$ 159,786,601	\$ (14,629,605)	109.2%	\$ 24,649,548	(59.35%)
6/30/1999	208,315,285	200,320,018	(7,995,267)	104.0%	27,310,055	(29.28%)
6/30/2000	230,558,593	219,109,254	(11,449,339)	105.2%	28,137,283	(40.69%)

* Latest available information

This page intentionally left blank.

City of Fremont
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2002

	Special Revenue Funds			
	Traffic Safety OTS	Abandoned Vehicle	Narcotics Asset Seizure	COPS AB3229
ASSETS				
Cash and investments held by City	\$ 27	\$ -	\$ 348,353	\$ 389,208
Restricted cash and investments held by fiscal agent	-	-	32,562	-
Receivables:				
Due from other governmental agencies	120,125	97,031	-	-
Rehabilitation loans, net	-	-	-	-
Accrued interest	-	-	-	-
Other	-	-	25,090	-
Total assets	\$ 120,152	\$ 97,031	\$ 406,005	\$ 389,208
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 187	\$ -	\$ 27,152	\$ 26,864
Salaries and wages payable	240	-	2,413	-
Compensated absences	-	-	-	-
Due to other funds	119,725	97,031	-	-
Deferred revenue	-	-	-	-
Total liabilities	120,152	97,031	29,565	26,864
Fund Balances:				
Reserved for encumbrances	-	-	-	-
Reserved for debt service	-	-	-	-
Unreserved:				
Designated:				
Specific purposes	-	-	376,440	362,344
Capital projects	-	-	-	-
Undesignated	-	-	-	-
Total fund balances	-	-	376,440	362,344
Total liabilities and fund balances	\$ 120,152	\$ 97,031	\$ 406,005	\$ 389,208

Special Revenue Funds									
Local Law Enforcement Block Grant	COPS AHEAD	COPS in School	OCJP CLETEP Grant	CLEEP High Tech Grant	Metropolitan Medical Response System	Emergency FEMA Share	Miscellaneous State Support		
\$ 12	\$ -	\$ -	\$ 16,027	\$ 48,831	\$ -	\$ -	\$ -		
-	-	-	-	-	-	-	-		
-	-	10,414	-	-	50,604	-	1,627,021		
-	-	-	-	-	-	-	-		
-	-	-	-	-	-	-	-		
-	-	-	-	-	-	-	-		
\$ 12	\$ -	\$ 10,414	\$ 16,027	\$ 48,831	\$ 50,604	\$ -	\$ 1,627,021		
\$ 12	\$ -	\$ -	\$ -	\$ 20,738	\$ 948	\$ -	\$ 246,746		
-	-	-	-	-	-	-	-		
-	-	-	-	-	-	-	-		
-	-	10,414	-	-	49,656	-	1,380,275		
-	-	-	-	-	-	-	-		
12	-	10,414	-	20,738	50,604	-	1,627,021		
2,000	-	-	-	6,445	-	-	3,191,008		
-	-	-	-	-	-	-	-		
-	-	-	16,027	21,648	-	-	-		
-	-	-	-	-	-	-	-		
(2,000)	-	-	-	-	-	-	(3,191,008)		
-	-	-	16,027	28,093	-	-	-		
\$ 12	\$ -	\$ 10,414	\$ 16,027	\$ 48,831	\$ 50,604	\$ -	\$ 1,627,021		

(Continued)

City of Fremont
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2002

	Special Revenue Funds			Total Non-Major Special Revenue Funds
	Traffic Congestion ABA2928	County Support for City Street	Maintenance District	
ASSETS				
Cash and investments held by City	\$ 328,838	\$ 779,183	\$ 157,883	\$ 10,321,018
Restricted cash and investments held by fiscal agent	-	-	-	32,562
Receivables:				
Due from other governmental agencies	-	-	-	6,475,163
Rehabilitation loans, net	-	-	-	1,610,751
Accrued interest	-	-	-	274,084
Other	45,101	-	-	107,677
Total assets	\$ 373,939	\$ 779,183	\$ 157,883	\$ 18,821,255
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 101,233	\$ 13,835	\$ 7,659	\$ 814,497
Salaries and wages payable	-	-	-	42,110
Compensated absences	-	-	-	9,744
Due to other funds	-	-	-	3,672,112
Deferred revenue	-	-	-	4,034,850
Total liabilities	101,233	13,835	7,659	8,573,313
Fund Balances:				
Reserved for encumbrances	896,811	10,093	-	6,931,124
Reserved for debt service	-	-	-	-
Unreserved:				
Designated:				
Specific purposes	-	755,255	-	9,353,041
Capital projects	-	-	-	-
Undesignated	(624,105)	-	150,224	(6,036,223)
Total fund balances	272,706	765,348	150,224	10,247,942
Total liabilities and fund balances	\$ 373,939	\$ 779,183	\$ 157,883	\$ 18,821,255

Debt Service Fund	Total Non-Major Debt Service Fund	Capital Project Funds				
		Transportation Development Act	Roberti Open Space	Interchange Construction	Vehicle Replacement	Capital Improvement
\$ 3	\$ 3	\$ -	\$ 13,483	\$ 1,900,529	\$ 1,662,186	\$ 4,403,532
6,359,121	6,359,121	-	-	-	-	-
-	-	24,848	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	192,150
<u>\$ 6,359,124</u>	<u>\$ 6,359,124</u>	<u>\$ 24,848</u>	<u>\$ 13,483</u>	<u>\$ 1,900,529</u>	<u>\$ 1,662,186</u>	<u>\$ 4,595,682</u>
\$ -	\$ -	\$ 350	\$ -	\$ -	\$ 62,283	\$ 2,414,305
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	24,498	-	-	-	-
-	-	-	-	-	-	-
-	-	24,848	-	-	62,283	2,414,305
-	-	-	-	-	254,993	21,724,793
6,359,124	6,359,124	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	13,483	1,900,529	1,344,910	-
-	-	-	-	-	-	(19,543,416)
<u>6,359,124</u>	<u>6,359,124</u>	<u>-</u>	<u>13,483</u>	<u>1,900,529</u>	<u>1,599,903</u>	<u>2,181,377</u>
<u>\$ 6,359,124</u>	<u>\$ 6,359,124</u>	<u>\$ 24,848</u>	<u>\$ 13,483</u>	<u>\$ 1,900,529</u>	<u>\$ 1,662,186</u>	<u>\$ 4,595,682</u>

(Continued)

City of Fremont
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2002

	Capital Projects Funds			
	Capital Improvement - Outside Sources	Measure B	Alameda County Transportation Authority	State Proposition #116
ASSETS				
Cash and investments held by City	\$ 1,513,002	\$ 4,210,557	\$ 20,430	\$ -
Restricted cash and investments held by fiscal agent	-	-	-	-
Receivables:				
Due from other governmental agencies	-	-	-	-
Rehabilitation loans, net	-	-	-	-
Accrued interest	-	-	-	-
Other	294,941	169,041	-	-
Total assets	\$ 1,807,943	\$ 4,379,598	\$ 20,430	\$ -
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 15,409	\$ -	\$ -	\$ -
Salaries and wages payable	-	-	-	-
Compensated absences	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	15,409	-	-	-
Fund Balances:				
Reserved for encumbrances	31,564	385,768	-	-
Reserved for debt service	-	-	-	-
Unreserved:				
Designated:				
Specific purposes	-	-	-	-
Capital projects	1,760,970	3,993,830	20,430	-
Undesignated	-	-	-	-
Total fund balances	1,792,534	4,379,598	20,430	-
Total liabilities and fund balances	\$ 1,807,943	\$ 4,379,598	\$ 20,430	\$ -

Capital Project Funds				Total Non-Major Capital Projects Funds	Total Other Governmental Funds
SB 140/300	Intermodal Surface Transportation Efficiency Act	Traffic System Management	Financing Authority		
\$ 69,414	\$ -	\$ -	\$ 647	\$ 13,793,780	\$ 24,114,801
-	-	-	7,172,510	7,172,510	13,564,193
-	2,002,664	228,470	-	2,255,982	8,731,145
-	-	-	-	-	1,610,751
-	-	-	-	-	274,084
-	-	-	-	656,132	763,809
<u>\$ 69,414</u>	<u>\$ 2,002,664</u>	<u>\$ 228,470</u>	<u>\$ 7,173,157</u>	<u>\$ 23,878,404</u>	<u>\$ 49,058,783</u>
\$ -	\$ 404	\$ 176,577	\$ -	\$ 2,669,328	\$ 3,483,825
-	-	-	-	-	42,110
-	-	-	-	-	9,744
-	2,002,260	41,369	-	2,068,127	5,740,239
-	-	-	-	-	4,034,850
-	2,002,664	217,946	-	4,737,455	13,310,768
-	2,703,459	67,803	-	25,168,380	32,099,504
-	-	-	-	-	6,359,124
-	-	-	-	-	9,353,041
69,414	-	-	7,173,157	16,276,723	16,276,723
-	(2,703,459)	(57,279)	-	(22,304,154)	(28,340,377)
<u>69,414</u>	<u>-</u>	<u>10,524</u>	<u>7,173,157</u>	<u>19,140,949</u>	<u>35,748,015</u>
<u>\$ 69,414</u>	<u>\$ 2,002,664</u>	<u>\$ 228,470</u>	<u>\$ 7,173,157</u>	<u>\$ 23,878,404</u>	<u>\$ 49,058,783</u>

(Concluded)

City of Fremont

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds

For the year ended June 30, 2002

	Special Revenue Funds			
	Community Development Block Grant	HOME Grant	HUD/HOPE Grant	HUD/SHP Grant
REVENUES:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Intergovernmental	2,005,371	152,532	-	199,446
Investment earnings	31,955	-	217	-
Other	-	-	-	-
Total revenues	<u>2,037,326</u>	<u>152,532</u>	<u>217</u>	<u>199,446</u>
EXPENDITURES:				
Current:				
Police services	-	-	-	-
Human services	-	-	-	-
Capital assets maintenance and operations	-	-	-	-
Community development and environmental services	2,037,464	148,481	-	199,446
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>2,037,464</u>	<u>148,481</u>	<u>-</u>	<u>199,446</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(138)</u>	<u>4,051</u>	<u>217</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Debt proceeds	-	-	-	-
Operating transfers in	138	28	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>138</u>	<u>28</u>	<u>-</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	4,079	217	-
FUND BALANCES:				
Beginning of year	-	2,723	4,998	-
End of year	<u>\$ -</u>	<u>\$ 6,802</u>	<u>\$ 5,215</u>	<u>\$ -</u>

Special Revenue Funds						
Multi-family Housing	Older Americans Grant	Tri-City Elders	Senior Center	Multipurpose Senior Svc. Program	Agency on Area Aging MSSP	Youth Service Center
\$ 172,376	\$ -	\$ -	\$ 116,222	\$ -	\$ -	\$ -
-	38,087	23,965	-	214,010	140,594	464,823
49,021	-	3,673	68,729	-	-	-
-	-	-	63,223	-	675	-
221,397	38,087	27,638	248,174	214,010	141,269	464,823
-	-	-	-	-	-	-
165,181	38,087	11,279	484,633	187,690	123,469	464,823
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
165,181	38,087	11,279	484,633	187,690	123,469	464,823
56,216	-	16,359	(236,459)	26,320	17,800	-
-	-	-	-	-	-	-
-	-	-	258,707	-	-	-
(25,864)	-	-	-	(26,320)	(17,125)	-
(25,864)	-	-	258,707	(26,320)	(17,125)	-
30,352	-	16,359	22,248	-	675	-
1,064,024	-	76,889	200,073	-	-	-
\$ 1,094,376	\$ -	\$ 93,248	\$ 222,321	\$ -	\$ 675	\$ -

(Continued)

City of Fremont

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds, Continued

For the year ended June 30, 2002

	Special Revenue Funds			
	Every Child Counts Grant	Alameda Behavioral Health Care	Measure B	Subsidized Transportation
REVENUES:				
Charges for services	\$ -	\$ -	\$ 4,005	\$ 324
Intergovernmental	75,000	125,799	195,650	-
Investment earnings	-	-	-	-
Other	-	-	-	-
Total revenues	75,000	125,799	199,655	324
EXPENDITURES:				
Current:				
Police services	-	-	-	-
Human services	75,000	111,153	156,552	-
Capital assets maintenance and operations	-	-	-	-
Community development and environmental services	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	75,000	111,153	156,552	-
REVENUES OVER (UNDER) EXPENDITURES	-	14,646	43,103	324
OTHER FINANCING SOURCES (USES):				
Debt proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	(14,646)	(15,786)	-
Total other financing sources (uses)	-	(14,646)	(15,786)	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	-	27,317	324
FUND BALANCES:				
Beginning of year	-	-	-	3,547
End of year	\$ -	\$ -	\$ 27,317	\$ 3,871

Special Revenue Funds						
Family Resource Center	Fremont Social Services JPA	Haas Grant	Cowell Grant	CHIF Grant	Integrated Waste Used Oil Grant	Urban Runoff
\$ 734,657	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,211,743
-	-	-	-	-	65,908	-
94,719	114,766	2,106	-	-	182	-
10,154	-	60,000	132,114	25,000	-	-
839,530	114,766	62,106	132,114	25,000	66,090	1,211,743
-	-	-	-	-	-	-
116,745	-	56,043	131,270	25,001	-	-
58,878	-	-	-	-	-	605,147
-	-	-	-	-	66,090	869,222
-	-	-	-	-	-	-
-	-	-	-	-	-	-
273,987	-	-	-	-	-	-
449,610	-	56,043	131,270	25,001	66,090	1,474,369
389,920	114,766	6,063	844	(1)	-	(262,626)
-	-	-	-	-	-	-
429,025	-	-	-	-	-	9,716
(430,018)	(193,173)	-	-	-	-	(224,669)
(993)	(193,173)	-	-	-	-	(214,953)
388,927	(78,407)	6,063	844	(1)	-	(477,579)
2,179,335	2,558,567	7,509	-	53,948	-	2,183,729
\$ 2,568,262	\$ 2,480,160	\$ 13,572	\$ 844	\$ 53,947	\$ -	\$ 1,706,150

(Continued)

City of Fremont

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds, Continued

For the year ended June 30, 2002

	Special Revenue Funds			
	Traffic Safety OTS	Abandoned Vehicle	Narcotics Asset Seizure	COPS AB3229
REVENUES:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Intergovernmental	203,022	174,673	241,242	414,395
Investment earnings	-	-	13,307	31,247
Other	-	-	-	-
Total revenues	<u>203,022</u>	<u>174,673</u>	<u>254,549</u>	<u>445,642</u>
EXPENDITURES:				
Current:				
Police services	203,022	174,673	208,341	774,370
Human services	-	-	-	-
Capital assets maintenance and operations	-	-	-	-
Community development and environmental services	-	-	-	-
Capital outlay	-	-	39,479	54,380
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>203,022</u>	<u>174,673</u>	<u>247,820</u>	<u>828,750</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>6,729</u>	<u>(383,108)</u>
OTHER FINANCING SOURCES (USES):				
Debt proceeds	-	-	-	-
Operating transfers in	-	-	50,000	-
Operating transfers out	-	-	-	(2,101)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>(2,101)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>-</u>	<u>-</u>	<u>56,729</u>	<u>(385,209)</u>
FUND BALANCES:				
Beginning of year	-	-	319,711	747,553
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 376,440</u>	<u>\$ 362,344</u>

Special Revenue Funds								
Local Law Enforcement Block Grant	COPS AHEAD	COPS in School	OCJP CLETEP Grant	CLEEP High Tech Grant	Metropolitan Medical Response System	Emergency FEMA Share	Miscellaneous State Support	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
186,264	125,000	41,665	-	93,857	50,604	-	1,506,361	
7,218	-	-	1,069	3,482	-	1,365	-	
-	-	-	-	-	-	-	-	
193,482	125,000	41,665	1,069	97,339	50,604	1,365	1,506,361	
315,105	125,000	41,665	-	157,559	50,604	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	1,365	896,361	
-	-	-	-	-	-	-	-	
62,601	-	-	33,384	-	-	-	610,000	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
377,706	125,000	41,665	33,384	157,559	50,604	1,365	1,506,361	
(184,224)	-	-	(32,315)	(60,220)	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	(1,343)	-	
-	-	-	-	-	-	(1,343)	-	
(184,224)	-	-	(32,315)	(60,220)	-	(1,343)	-	
184,224	-	-	48,342	88,313	-	1,343	-	
\$ -	\$ -	\$ -	\$ 16,027	\$ 28,093	\$ -	\$ -	\$ -	

(Continued)

City of Fremont

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds, Continued

For the year ended June 30, 2002

	Special Revenue Funds			Total Non-Major Special Revenue Funds
	Traffic Congestion ABA2928	County Support for City Streets	Maintenance District	
REVENUES:				
Charges for services	\$ -	\$ -	\$ 87,836	\$ 2,327,163
Intergovernmental	516,110	-	-	7,254,378
Investment earnings	55,535	38,255	-	516,846
Other	-	-	-	291,166
Total revenues	571,645	38,255	87,836	10,389,553
EXPENDITURES:				
Current:				
Police services	-	-	-	2,050,339
Human services	-	-	-	2,146,926
Public works	1,816,000	137,264	93,951	3,608,966
Community development and environmental services	-	-	-	3,320,703
Capital outlay	-	-	-	799,844
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	273,987
Total expenditures	1,816,000	137,264	93,951	12,200,765
REVENUES OVER (UNDER) EXPENDITURES	(1,244,355)	(99,009)	(6,115)	(1,811,212)
OTHER FINANCING SOURCES (USES):				
Debt proceeds	-	-	-	-
Operating transfers in	-	-	-	747,614
Operating transfers out	-	-	(4,697)	(955,742)
Total other financing sources (uses)	-	-	(4,697)	(208,128)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,244,355)	(99,009)	(10,812)	(2,019,340)
FUND BALANCES:				
Beginning of year	1,517,061	864,357	161,036	12,267,282
End of year	\$ 272,706	\$ 765,348	\$ 150,224	\$ 10,247,942

Debt Service Fund	Total Non-Major Debt Service Fund	Capital Projects Funds				
		Transportation Development Act	Roberti Open Space	Interchange Construction	Vehicle Replacement	Capital Improvement
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	17,826	-	-	2,000	-
296,709	296,709	-	579	66,932	125,126	210,940
-	-	-	-	-	10,815	267,659
296,709	296,709	17,826	579	66,932	137,941	478,599
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	17,826	-	-	14,790	5,575,376
-	-	-	-	-	-	-
-	-	-	-	-	1,157,737	1,499,416
2,280,000	2,280,000	-	-	-	-	-
3,183,500	3,183,500	-	-	-	-	-
5,463,500	5,463,500	17,826	-	-	1,172,527	7,074,792
(5,166,791)	(5,166,791)	-	579	66,932	(1,034,586)	(6,596,193)
10,055,000	10,055,000	-	-	-	-	-
4,638,525	4,638,525	-	-	341,431	1,160,908	26,549,774
(9,053,095)	(9,053,095)	-	-	-	-	(20,108,000)
5,640,430	5,640,430	-	-	341,431	1,160,908	6,441,774
473,639	473,639	-	579	408,363	126,322	(154,419)
5,885,485	5,885,485	-	12,904	1,492,166	1,473,581	2,335,796
\$ 6,359,124	\$ 6,359,124	\$ -	\$ 13,483	\$ 1,900,529	\$ 1,599,903	\$ 2,181,377

(Continued)

City of Fremont

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds, Continued

For the year ended June 30, 2002

	Capital Projects Funds			
	Capital Improvement - Outside Sources	Measure B	Alameda County Transportation Authority	State Proposition #116
REVENUES:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Intergovernmental	204,941	1,493,230	-	-
Investment earnings	-	176,905	-	364
Other	591,224	-	-	-
Total revenues	<u>796,165</u>	<u>1,670,135</u>	<u>-</u>	<u>364</u>
EXPENDITURES:				
Current:				
Police services	-	-	-	-
Human services	-	-	-	-
Capital assets maintenance and operations	440,902	1,008,619	-	68,516
Community development and environmental services	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>440,902</u>	<u>1,008,619</u>	<u>-</u>	<u>68,516</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>355,263</u>	<u>661,516</u>	<u>-</u>	<u>(68,152)</u>
OTHER FINANCING SOURCES (USES):				
Debt proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	(13,341)	-	-	-
Total other financing sources (uses)	<u>(13,341)</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>341,922</u>	<u>661,516</u>	<u>-</u>	<u>(68,152)</u>
FUND BALANCES:				
Beginning of year	1,450,612	3,718,082	20,430	68,152
End of year	<u>\$ 1,792,534</u>	<u>\$ 4,379,598</u>	<u>\$ 20,430</u>	<u>\$ -</u>

Capital Projects Funds				Total Non-Major Capital Projects Funds	Total Other Governmental Funds
SB 140/300	Intermodal Surface Transportation Efficiency Act	Traffic System Management	Financing Authority		
\$ -	\$ -	\$ -	\$ -	\$ -	2,327,163
10,830	221,586	228,470	-	2,178,883	9,433,261
-	-	-	381,775	962,621	1,776,176
-	-	-	-	869,698	1,160,864
10,830	221,586	228,470	381,775	4,011,202	14,697,464
-	-	-	-	-	2,050,339
-	-	-	-	-	2,146,926
16,021	221,586	228,469	-	7,592,105	11,201,071
-	-	-	-	-	3,320,703
-	-	-	10,649,618	13,306,771	14,106,615
-	-	-	-	-	2,280,000
-	-	-	-	-	3,457,487
16,021	221,586	228,469	10,649,618	20,898,876	38,563,141
(5,191)	-	1	(10,267,843)	(16,887,674)	(23,865,677)
-	-	-	-	-	10,055,000
-	-	-	8,891,575	36,943,688	42,329,827
-	-	-	(8,861)	(20,130,202)	(30,139,039)
-	-	-	8,882,714	16,813,486	22,245,788
(5,191)	-	1	(1,385,129)	(74,188)	(1,619,889)
74,605	-	10,523	8,558,286	19,215,137	37,367,904
\$ 69,414	\$ -	\$ 10,524	\$ 7,173,157	\$ 19,140,949	\$ 35,748,015

(Concluded)

City of Fremont
Combining Statement of Net Assets
Proprietary Fund Type
June 30, 2002

	Internal Service Funds		
	Risk Management	Information Technology	Totals
ASSETS			
Cash and investments held by City	\$ 4,838,329	\$ 395,936	\$ 5,234,265
Receivables:			
Other	4,818	251,253	256,071
Land held for sale	2,821,430	-	2,821,430
Total assets	7,664,577	647,189	8,311,766
LIABILITIES			
Accounts payable	51,466	48,494	99,960
Salaries and wages payable	70,620	79,362	149,982
Compensated absences	358	7,522	7,880
Claims payable	6,462,467	-	6,462,467
Other accrued liabilities	181	1,905	2,086
Total liabilities	6,585,092	137,283	6,722,375
NET ASSETS			
Unrestricted	1,079,485	509,906	1,589,391
Total net assets	\$ 1,079,485	\$ 509,906	\$ 1,589,391

City of Fremont

Combining Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Fund Type

For the year ended June 30, 2002

	Internal Service Funds		
	Risk Management	Information Technology	Totals
OPERATING REVENUES:			
Charges for services	\$ 4,149,304	\$ 4,405,294	\$ 8,554,598
Other	57,602	271	57,873
Total operating revenues	4,206,906	4,405,565	8,612,471
OPERATING EXPENSES:			
Salaries and wages	291,321	1,734,107	2,025,428
Insurance premiums	446,204	-	446,204
Provision for claim losses	3,678,639	-	3,678,639
Claims administration	259,529	-	259,529
Materials and supplies	73,241	1,602,952	1,676,193
Other	-	35,456	35,456
Total operating expenses	4,748,934	3,372,515	8,121,449
OPERATING INCOME (LOSS)	(542,028)	1,033,050	491,022
NONOPERATING REVENUES (EXPENSES):			
Transfers in	21,219	16,512	37,731
Transfers out	-	(545,661)	(545,661)
Investment income	191,974	6,005	197,979
Total nonoperating revenues (expenses)	213,193	(523,144)	(309,951)
NET INCOME (LOSS)	(328,835)	509,906	181,071
RETAINED EARNINGS:			
Beginning of year	1,408,320	-	1,408,320
End of year	\$ 1,079,485	\$ 509,906	\$ 1,589,391

City of Fremont
Combining Statement of Cash Flows
Proprietary Fund Type
For the year ended June 30, 2002

	Internal Service Funds		
	Risk Management	Information Technology	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from users	\$ 4,379,387	\$ 4,154,041	\$ 8,533,428
Other revenue	57,602	271	57,873
Less: Payments to suppliers	(802,763)	(1,554,458)	(2,357,221)
Payments to employees for services	(298,860)	(1,647,223)	(1,946,083)
Payments for claims paid	(3,095,693)	-	(3,095,693)
Payments to others	181	(33,551)	(33,370)
Net cash provided (used) by operating activities	239,854	919,080	1,158,934
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on cash and investments	191,974	6,005	197,979
Net cash provided (used) by investing activities	191,974	6,005	197,979
CASH FLOWS FROM NON CAPITAL ACTIVITIES:			
Transfers	21,219	(529,149)	(507,930)
Net cash provided (used) by noncapital activities	21,219	(529,149)	(507,930)
Net increase (decrease) in cash and cash investments	453,047	395,936	848,983
CASH AND INVESTMENTS:			
Beginning of year	4,385,282	-	4,385,282
End of year	\$ 4,838,329	\$ 395,936	\$ 5,234,265
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (542,028)	\$ 1,033,050	\$ 491,022
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Changes in assets and liabilities:			
Accounts receivable	230,083	(251,253)	(21,170)
Accounts payable	(23,789)	48,494	24,705
Salaries and wages payable	14,344	79,362	93,706
Compensated absences	(21,883)	7,522	(14,361)
Claims payable	582,946		582,946
Other accrued activities	181	1,905	2,086
Net cash provided (used) by operating activities	\$ 239,854	\$ 919,080	\$ 1,158,934

City of Fremont
Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2002

	Balance July 1, 2001	Additions	Deductions	Balance June 30, 2002
<u>Local Improvement Districts</u>				
Assets:				
Cash and investments held by City	\$ 12,791,157	\$ 13,973,695	\$ (16,252,370)	\$ 10,512,482
Restricted cash and investments held by fiscal agent	34,384,752	16,945,463	(16,913,081)	34,417,134
Other receivables	59,127	-	-	59,127
Total assets	\$ 47,235,036	\$ 30,919,158	\$ (33,165,451)	\$ 44,988,743
Liabilities:				
Deposits	\$ 47,235,036	\$ 4,745,969	\$ (6,992,262)	\$ 44,988,743
Total liabilities	\$ 47,235,036	\$ 4,745,969	\$ (6,992,262)	\$ 44,988,743
<u>Subdivision and Performance Bonds</u>				
Assets:				
Cash and investments held by City	\$ 1,463,719	\$ 778,604	\$ (961,631)	\$ 1,280,692
Restricted cash and investments held by fiscal agent	19,462	343	-	19,805
Accounts receivable	-	-	32,305	32,305
Other receivables	-	31,481	(31,481)	-
Total assets	\$ 1,483,181	\$ 810,428	\$ (960,807)	\$ 1,332,802
Liabilities:				
Accounts payable	\$ 26,129	\$ 697,792	\$ (723,921)	\$ -
Deposits	1,457,052	2,126,646	(2,250,896)	1,332,802
Total liabilities	\$ 1,483,181	\$ 2,824,438	\$ (2,974,817)	\$ 1,332,802
<u>Tri-City Waste Facility Financing Authority</u>				
Assets:				
Cash and investments held by City	\$ 388,342	\$ 687,313	\$ (696,812)	\$ 378,843
Restricted cash and investments held by fiscal agent	765,229	770,879	(771,326)	764,782
Other receivables	40,157	7,181,846	(7,190,875)	31,128
Total assets	\$ 1,193,728	\$ 8,640,038	\$ (8,659,013)	\$ 1,174,753
Liabilities:				
Accounts payable	\$ -	\$ 692,771	\$ (692,771)	\$ -
Deposits	1,193,728	8,640,038	(8,659,013)	1,174,753
Total liabilities	\$ 1,193,728	\$ 9,332,809	\$ (9,351,784)	\$ 1,174,753
<u>Tri-City Waste Disposal Authority</u>				
Assets:				
Cash and investments held by City	\$ 190,559	\$ 59,951	\$ (2,165)	\$ 248,345
Other receivables	4,293	4,231	(4,293)	4,231
Total assets	\$ 194,852	\$ 64,182	\$ (6,458)	\$ 252,576
Liabilities:				
Deposits	\$ 194,852	\$ 64,182	\$ (6,458)	\$ 252,576
Total liabilities	\$ 194,852	\$ 64,182	\$ (6,458)	\$ 252,576

See accompanying Notes to Basic Financial Statements.

(Continued)

City of Fremont
Statement of Changes in Assets and Liabilities
Agency Funds, Continued
For the year ended June 30, 2002

	Balance July 1, 2001	Additions	Deductions	Balance June 30, 2002
<u>Southern Alameda County GIS</u>				
Assets:				
Cash and investments held by City	\$ -	\$ 138,752	\$ (137,249)	\$ 1,503
Accounts receivable	-	244,360	(146,343)	98,017
Total assets	\$ -	\$ 383,112	\$ (283,592)	\$ 99,520
Liabilities:				
Accounts payable	\$ -	\$ 384,303	\$ (284,783)	\$ 99,520
Total liabilities	\$ -	\$ 384,303	\$ (284,783)	\$ 99,520

(Concluded)

STATISTICAL SECTION

City of Fremont
General Governmental Revenues by Source
June 30, 2002
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Taxes and Franchises</u>	<u>Licenses and Permits</u>	<u>Fines and Forfeitures</u>	<u>Inter- Governmental</u>	<u>Charges for Services</u>	<u>Use of Money and Property</u>
1992-1993	\$ 64,863,652	\$ 3,027,201	\$ 523,973	\$ 9,059,797	\$ 4,595,888	\$ 5,705,887
1993-1994	75,632,872	2,672,696	508,638	8,989,913	5,159,949	5,545,285
1994-1995	74,335,637	4,067,943	501,781	13,216,226	8,741,466	7,650,655
1995-1996	84,028,007	4,503,151	481,294	8,771,355	9,718,270	7,944,731
1996-1997	96,436,308	4,936,600	460,324	14,440,090	10,630,863	8,931,578
1997-1998	106,604,736	5,410,263	507,081	10,625,848	10,591,442	11,226,970
1998-1999	110,363,197	4,604,626	1,010,907	6,468,190	11,031,711	10,542,611
1999-2000	108,016,305	4,943,786	1,198,190	26,988,249	9,405,373	20,516,063
2000-2001	123,009,461	4,771,437	2,006,225	33,148,984	4,891,485	25,098,941
					Motor Vehicle	
	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Business Tax</u>	<u>Other Taxes</u>	<u>In Lieu</u>	<u>Impact Fees</u>
2001-2002	\$ 58,062,912	\$ 29,195,816	\$ 5,655,770	\$ 3,161,945	\$ 11,568,423	\$ 2,916,140

Includes all governmental fund types; does not include special assessment collections

During the fiscal year ended June 30, 2002, the City changed its revenue classifications to be more informative.

Table 1

Other		Total	
\$	1,616,195	\$	89,392,593
	2,516,310		101,025,663
	2,594,465		111,108,173
	2,305,550		117,752,358
	1,570,562		137,406,325
	1,406,420		146,372,760
	6,849,649		150,870,891
	877,162		171,945,128
	3,699,786		196,626,319

City of Fremont
General Governmental Expenditures by Function
June 30, 2002
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	General Government	Public Safety	Health and Human Services	Capital assets maintenance and operations	
				City	Assessment Districts
1992-1993	\$ 6,581,857	\$ 32,257,837	\$ 2,164,501	\$ 15,574,569	\$ 30,771
1993-1994	6,650,178	35,024,826	2,431,321	16,554,850	3,900
1994-1995	6,879,810	39,840,257	3,305,952	18,610,896	4,937
1995-1996	7,244,853	41,928,850	3,153,944	19,300,527	11,646
1996-1997	8,610,843	46,087,370	2,774,125	27,673,064	167,602
1997-1998	9,420,037	48,571,610	2,903,475	31,702,587	66,893
1998-1999	9,564,525	52,550,568	2,895,775	31,841,769	66,600
1999-2000	11,290,308	54,939,545	5,288,882	30,562,549	73,473
2000-2001	15,423,348	53,957,724	4,287,574	54,440,841	70,895
2001-2002	11,981,513	62,972,267	4,752,837	38,129,953	93,951

Includes all governmental fund types; excludes debt service expenditures for special assessments

¹ Includes expenditures of \$21,275,000 for the refunding of 1991 and 1993 Certificates of Participation

² Includes expenditures of \$21,719,059 for the refunding of 1993 Certificates of Participation

Table 2

Recreation and Leisure Services		Community Development	Capital Outlay	Inter-Governmental	Debt Service	Total
\$	3,859,877	\$ 9,029,019	\$ 13,826,995	\$ -	3,599,826	86,925,252
	3,952,795	6,308,991	24,529,216	2,073,860	5,413,074	102,943,011
	4,089,018	9,320,291	23,140,161	3,215,350	5,698,946	114,105,618
	4,536,253	7,116,830	16,957,160	3,574,620	5,774,850	109,599,533
	4,062,656	10,366,676	12,736,234	4,147,256	6,238,266	122,864,092
	4,495,257	14,268,045	9,557,224	2,195,793	29,589,378 ¹	152,770,299
	4,417,485	9,532,603	34,767,765	2,561,063	29,260,552 ²	177,458,705
	4,355,297	17,305,194	16,402,910	5,968,676	19,831,871	166,018,705
	5,121,053	39,391,274	5,440,683	8,230,548	10,464,970	196,828,910
	5,441,694	26,440,166	16,999,390	7,405,599	11,238,944	185,456,314

City of Fremont
Property Tax Assessed Values, Levies and Collections
June 30, 2002
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Gross Assessed Value ¹	Net Assessed Value ¹	Operating Tax Rate Per \$100	Total Tax Levy ¹	Current Tax Collections
1992-1993	\$ 13,256,808,864	\$ 12,294,965,099	1.000	\$ 21,614,828	\$ 20,622,985
1993-1994	13,781,565,790	13,422,557,177	1.000	19,264,094	18,106,535
1994-1995	14,025,570,379	13,653,817,788	1.000	19,535,750	17,740,871
1995-1996	14,626,291,854	14,250,611,862	1.000	20,184,395	18,397,050
1996-1997	15,499,780,352	15,120,017,021	1.000	21,087,526	19,434,230
1997-1998	16,457,063,825	16,065,956,513	1.000	22,876,216	22,394,531
1998-1999	18,086,444,873	17,739,384,273	1.000	25,200,446	24,783,031
1999-2000	19,738,791,092	19,191,155,316	1.000	24,419,920	24,419,920
2000-2001	21,302,269,064	20,738,822,048	1.000	26,525,016	28,663,957
2001-2002	23,488,463,488	22,900,425,051	1.000	31,962,996	30,260,493

¹ Source: City of Fremont Financial Services Office, Treasury Division, and Alameda County Auditor - Controller

² Includes interest and penalty remittances

Table 3

Percent of Levy Collected	Delinquent Tax Collections ²	Total Tax Collections	Percent of Levy Collected
95.41%	\$ 921,311	\$ 21,544,296	99.67%
93.99%	896,821	19,003,356	98.65%
90.81%	1,370,007	19,110,878	97.83%
91.14%	1,075,588	19,472,638	96.47%
92.16%	950,690	20,384,920	96.67%
97.89%	1,091,086	23,485,617	102.66%
98.34%	847,888	25,630,919	101.71%
100.00%	3,521,224	27,941,144	114.42%
108.06%	603,092	29,267,049	110.34%
94.67%	732,220	30,992,713	96.96%

City of Fremont
Property Tax Rates - Direct and Overlapping Governments
June 30, 2002
Last Ten Fiscal Years
(Unaudited)

Table 4

Fiscal Year	City	County	School District	Special Districts	Total
1992-1993	.0013	1.0000	.0112	.0541	1.0666
1993-1994	.0021	1.0000	.0185	.0521	1.0727
1994-1995	.0016	1.0000	.0189	.0465	1.0670
1995-1996	.0017	1.0000	.0279	.0425	1.0721
1996-1997	.0016	1.0000	.0337	.0390	1.0743
1997-1998	.0014	1.0000	.0284	.0401	1.0699
1998-1999	.0000	1.0000	.0275	.0322	1.0597
1999-2000	.0000	1.0000	.0256	.0127	1.0383
2000-2001	.0000	1.0000	.0256	.0127	1.0383
2001-2002	.0000	1.0000	.0234	.0136	1.0370

Source: Alameda County Auditor-Controller

City of Fremont
Special Assessment Collections
June 30, 2002
Last Ten Fiscal Years
(Unaudited)

Table 5

<u>Fiscal Year</u>	<u>Assessment Due</u>	<u>Assessment Collections</u>
1992-1993	\$ 9,536,392	\$ 9,412,355
1993-1994	10,901,580	11,799,562
1994-1995	11,191,366	11,460,473
1995-1996	11,283,873	10,998,395
1996-1997	10,668,880	11,981,456
1997-1998	11,734,421	11,680,635
1998-1999	12,168,351	11,980,588
1999-2000	12,041,155	12,070,975
2000-2001	11,555,644	11,250,491
2001-2002	11,609,650	11,448,648

Source: City of Fremont Financial Services Office, Treasury Division

City of Fremont
Computation of Legal Debt Margin
June 30, 2002
(Unaudited)

Table 6

Under State law, the City has a legal debt limitation not to exceed 15% of the total assessed valuation of taxable property within the City boundaries. In accordance with California Government Code Section 43605, only the City’s general obligation bonds are subject to the legal debt limit. With outstanding debt subject to the legal debt limit and a legal debt of \$3,435,068,758, the City is not at risk of exceeding its legal debt limit.

Assessed Valuation (Net)	\$ 22,900,425,051 ¹
Debt limit is 15% of Assessed Value	\$ 3,435,063,758
Less Outstanding Debt (Subject to the Legal Debt Limit)	- ²
Legal Debt Margin	\$ 3,435,063,758

¹ Alameda County Auditor-Controller's Office Certification
² Table 10, following, describes the composition of all of the City's outstanding debt. In accordance with California Government Code Section 43605, only the City's general obligation bonds are subject to the legal debt limit.

City of Fremont
Schedule of Direct and Overlapping Debt
June 30, 2002
(Unaudited)

Table 7

	Percent Applicable to the City	Debt as of June 30, 2002
DIRECT DEBT:		
City of Fremont Certificates of Participation	100.000%	\$ 115,110,000 ¹
City of Fremont 1915 Act Bonds	100.000%	71,968,000
Total direct debt		<u>187,078,000</u>
OVERLAPPING DEBT:		
Alameda County General Fund Obligations	18.665%	107,239,540
Alameda County Board of Education Public Facilities Corporation	18.665%	784,863
Alameda County Pension Obligations	18.665%	83,538,602
Alameda-Contra Costa Transit District Certificates of Participation	22.023%	4,914,432
Chabot-Las Positas Community College District Certificates of Participation	0.700%	306
East Bay Regional Park District	11.166%	18,696,909
Fremont - Newark Community College District	81.430%	32,572,000
Fremont Unified School District	100.000%	157,999,822
Fremont Unified School District Certificates of Participation	100.000%	7,590,000
Sunol Glen Unified School District	0.362%	7,203
Total overlapping debt		<u>413,343,677</u>
Total direct and overlapping debt		<u>\$ 600,421,677 ²</u>

¹ Excludes tax and revenue anticipation notes

² Excludes tax and revenue anticipation notes, revenue, mortgage revenue, tax allocation bonds, and non-bonded capital lease obligations

Source: California Municipal Statistics

City of Fremont

Table 8

Percentage of Annual Debt Service for General Debt to Total General Expenditures

June 30, 2002

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Principal	Interest and Fiscal Charges	Total Debt Service	Total General Expenditures	Ratio of Debt Service to General Expenditures
1992-1993	\$ 1,225,000	\$ 2,374,826	\$ 3,599,826	\$ 86,925,252	4.14%
1993-1994	1,570,825	3,842,249	5,413,074	102,943,011	5.26%
1994-1995	1,245,000	4,453,946	5,698,946	114,105,618	4.99%
1995-1996	1,321,077	4,453,773	5,774,850	109,599,533	5.27%
1996-1997	1,657,720	4,487,921	6,145,641	122,864,092	5.00%
1997-1998	23,245,000	6,344,378	29,589,378	152,770,299 ¹	19.37%
1998-1999	24,059,059	5,201,493	29,260,552	177,458,705 ²	16.49%
1999-2000	9,547,638	10,284,233	19,831,871	166,018,705	11.95%
2000-2001	2,215,000	8,249,970	10,464,970	196,828,910	5.32%
2001-2002	4,835,000	6,403,944	11,238,944	185,456,314	6.06%

¹ Includes expenditures of \$21,275,000 for the refunding of 1991 and 1993 Certificates of Participation

² Includes expenditures of \$21,719,059 for the refunding of 1993 Certificates of Participation

This page intentionally left blank.

City of Fremont

Ratio of Net General Debt to Assessed Value and Net Debt Per Capita

June 30, 2002

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Population ¹	Gross Assessed Value	Gross Debt ²	Debt Service Monies Available
1992-1993	183,272	\$ 13,256,808,864	\$ 35,190,000	\$ 4,231,862
1993-1994	184,590	13,781,565,790	63,940,000	9,772,674
1994-1995	187,585	14,025,570,379	62,695,000	8,683,016
1995-1996	187,931	14,626,291,854	61,865,056	8,017,821
1996-1997	192,160	15,499,780,352	66,382,336	9,063,561
1997-1998	198,710	16,457,063,825	84,146,457	9,232,949
1998-1999	203,600	18,086,444,873	82,125,077	8,128,546
1999-2000	208,000	19,738,791,092	74,690,077	16,136,355
2000-2001	207,169	21,302,269,064	157,085,000	32,194,774
2001-2002	208,600	23,488,463,688	162,555,000	38,513,323

¹ Source: U.S. Census and Department of Finance, State of California

² Gross debt and debt service monies available include all tax allocation bonds and certificates of participation; excluded is special assessment debt and other accrued long-term liabilities.

Table 9

Net Debt		Ratio of Net Debt to Gross Assessed Value	Net Debt Per Capita	
\$	30,958,138	0.2335%	\$	168.92
	54,167,326	0.3930%		293.45
	54,011,984	0.3851%		287.93
	53,847,235	0.3682%		286.53
	57,318,775	0.3698%		298.29
	74,913,508	0.4552%		377.00
	73,996,531	0.4091%		363.44
	58,553,722	0.2966%		281.51
	124,890,226	0.5863%		602.84
	124,041,677	0.5281%		594.64

City of Fremont
Composition of Long-Term Debt
June 30, 2002
Last Ten Fiscal Years
(Unaudited)

Table 10

Fiscal Year	General Obligation Bonds	Certificates of Participation	Tax Increment Bonds	Other	Total
1992-1993	\$ 1,000,000	\$ 28,175,000	\$ 5,980,000	\$ 35,000	\$ 35,190,000
1993-1994	815,000	57,360,000	5,765,000	-	63,940,000
1994-1995	620,000	56,545,000	5,530,000	-	62,695,000
1995-1996	415,000	55,750,000	5,275,000	425,056	61,865,056
1996-1997	210,000	60,815,000	5,000,000	357,336	66,382,336
1997-1998	-	79,135,000	4,700,000	311,457	84,146,457
1998-1999	-	77,500,000	4,375,000	250,077	82,125,077
1999-2000	-	74,440,000	-	250,077	74,690,077
2000-2001	-	107,085,000	50,000,000	-	157,085,000
2001-2002	-	115,110,000	47,445,000	-	162,555,000

City of Fremont
Demographic Statistics
June 30, 2002
Last Ten Fiscal Years
(Unaudited)

Table 11

Year	Square Miles	Population ¹	County Population ¹	City Population % of County	Alameda County Median Income ²
1993	90	183,272	1,324,430	13.8%	\$ 25,075
1994	90	184,590	1,334,127	13.8%	25,847
1995	90	187,585	1,344,157	14.0%	27,339
1996	90	187,931	1,356,102	13.9%	28,672
1997	90	192,160	1,375,850	14.0%	30,327
1998	90	198,710	1,408,073	14.1%	32,130
1999	90	203,600	1,433,300	14.2%	Not Available
2000	90	208,000	1,454,300	14.3%	Not Available
2001	90	207,169	1,479,100	14.0%	Not Available
2002	90	208,600	1,475,000	14.1%	Not Available

¹ Source: U.S. Census and Department of Finance, State of California

² Source: State Franchise Tax Board - Personal Income Tax Statistics - All Returns Taxable and Nontaxable

City of Fremont
Construction and Bank Deposits
June 30, 2002
Last Ten Fiscal Years
(Unaudited)

Table 12

Fiscal Year	Commercial/Industrial		Residential		Bank Deposits ¹
	Number of Permits	Estimated Value	Number of Permits	Estimated Value	
1992-1993	608	\$ 146,037,233	3,802	\$ 68,397,520	\$ 1,885,046,000 ²
1993-1994	645	110,656,225	3,875	132,885,158	1,883,419,000 ²
1994-1995	680	119,305,081	3,769	123,924,266	1,992,859,000 ²
1995-1996	835	191,229,575	4,287	158,551,633	2,222,137,000 ²
1996-1997	880	240,551,122	4,564	251,255,813	2,365,839,000 ²
1997-1998	933	279,635,695	4,803	271,048,630	2,599,811,000 ³
1998-1999	770	119,600,880	5,352	248,200,917	Not Available
1999-2000	875	193,250,601	4,582	158,243,434	Not Available
2000-2001	991	229,158,070	4,276	134,146,642	Not Available
2001-2002	811	145,224,742	4,162	93,908,111	Not Available

¹ Includes banks and savings and loans (does not include credit unions); savings and loans balances as of September 30. Information from Bancpen Information Service, except as noted

² Source: Bancpen Information Services

³ Source: Sheshunoff Custom Data Department

City of Fremont
Major Taxpayers
June 30, 2002
(Unaudited)

Table 13

Major Property Taxpayers	Alameda County Assessor's Office Assessed Value	Percent of 2001/02 Total Gross Assessed Valuation
New United Motors Manufacturing, Inc.	\$ 937,590,287	3.99%
Znag International Inc	289,835,699	1.23%
Catellus Development Corporation	215,607,479	0.92%
SCI Limited Partnership	181,851,154	0.77%
CalWest Industrial Properties LLC	167,283,822	0.71%
BRA Properties Inc	125,392,326	0.53%
John Arrillago & Richard Peery	113,287,066	0.48%
Renco Investment Company	95,181,971	0.41%
AMB Property Limited Partnership	66,284,032	0.28%
Walton Fremont Investors	59,422,829	0.25%
Total	\$ 2,251,736,665	9.57%
Gross Assessed Valuation, 2001/02	\$ 23,488,463,688	

Major Sales Taxpayers (listed alphabetically)

3 Par Data	Home Depot
Albertsons	Ion Tech
Anderson Lexus	Komatsu America Industries
Auto West Dodge Chrysler Isuzu	LSI Logic
Auto West Honda	Longs Drugs
Central Chevrolet	New United Motor Mfg
Claridges Mercedes Porsche BMW	Office Depot
Costco	Pape Lift
CVC Products	PJs Construction Supplies
Dale Hardware	Safeway
Dumbarton Quarry Associates	Sysco Food Services
Fremont Toyota	Tri City Sporting Goods
Frys Electronics	

City of Fremont
Miscellaneous Statistical Data
June 30, 2002
(Unaudited)

Table 14

Date of Incorporation	January 23, 1956
Form of Government	General Law City governed by City Council and administered by a City Manager
Employees:	
Fire protection	162.00
Police protection	279.00
Other classified employees	518.00
Total employees	<u>959.00</u>
Community Services:	
Parks	48
Swimming facilities	1
Community centers	5
Fire Stations	11